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ECONOMIC INTELLIGENCE WEEKLY REVIEW

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Articles

FRANCE: ECONOMY ON EVE OF PARLIAMENTARY ELECTIONS

Prime Minister Barre's center-right government has stuck to its economic stabilization program during the run-up to the March National Assembly elections despite the political liability of high unemployment and flat real wages. Moreover, the governing parties have pledged to keep the stabilization program basically intact for another two years if returned to office. In contrast, the leftist parties promise sharp increases in government transfer payments and the minimum wage as well as a wave of nationalizations. The leftist program has egalitarian appeal but would stimulate inflationary pressure and discourage private investmentment.

Barre's Economic Strategy . . .

Raymond Barre, a distinguished economist, was appointed Prime Minister in August 1976 precisely to deal with France's mounting economic difficulties. Though not unique to France, the set of problems he faced was complex. In particular,

- Economic recovery clearly was running out of gas, after a strong start in late 1975.

- Unemployment remained at more than twice the prerecession level and showed no signs of dropping.

- Inflation, which had gradually slowed to a 10-percent annual rate, was beginning to accelerate again.

- The current account balance, after showing a small surplus in 1975, was headed for a record $6 billion deficit in 1976.

Barre immediately made clear his belief that a multiyear stabilization program—modeled after the West German example—was required. The Barre Plan,

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announced a few weeks later, aimed at slowing inflation to a 6.5-percent annual rate by the end of 1977 and sharply reducing the trade deficit. These objectives were to be accomplished by returning the budget to balance, curtailing the growth of money and credit, and holding real wage increases for most workers near zero. In an effort to halt the inflationary spiral quickly, Paris froze prices for three months and reduced the value-added tax on most consumer goods.

The Prime Minister has stuck closely to his original plan despite calls from both Left and Right for expansionary measures. He has adjusted course by introducing from time to time selective measures aimed at particular problems. For example, Barre has okayed fiscal incentives to encourage the hiring of youths and special programs to aid particularly hard hit industries such as steel.

. . . And Its Effects: the Economic Situation at Election Time

The principal cost of the Barre Plan both economically and politically has been sluggish growth. In 1977, GNP increased no more than 3 percent, markedly less than the 4.5 percent originally projected. Industrial production has fared even worse, stagnating since the Barre Plan went into effect.

Slow growth has worsened unemployment. Given the present structure of output, France needs annual GNP gains of 4 percent simply to hold unemployment steady in the face of productivity gains and accelerated labor force growth. Unemployment, at 4.5 percent, is still running at more than double the prerecession rate, although it has declined from the August peak of 5.6 percent.

France: Economic Indicators

			1978 [1]	
	1976	1977	Current Government Scenario	Moderate Left Scenario
			Percent	
Real GNP growth	5.2	3.0 [2]	3.6	4.1
Average unemployment	4.3	4.9	5.5	5.1
Consumer price inflation [3]	9.9	9.0	8.5	12
			Billion US $	
Current account deficit	5.9	3.1 [2]	2	4

[1] Projected.
[2] Preliminary.
[3] December to December.

Slowdowns in wage increases and money supply growth were offset by rises in food and imported raw material prices through much of 1977. Monthly inflation rates dropped substantially only in November and December. Over the year, consumer prices rose 9.0 percent.

The balance of payments has improved steadily. France ran a $5.9 billion current account deficit in 1976, of which $4.1 billion was in merchandise trade. In 1977, the current account deficit fell to $3.1 billion, the trade deficit to $2.3 billion. Merchandise exports increased 14 percent in value while imports were up only 10 percent. Much of the gain came in trade with other major European countries and OPEC member states. A slight decline in net oil imports played a role.

Political Impact: Probably Negative

Barre's main economic success, improvement in the trade balance, is of little interest to voters. They also are skeptical about the progress against inflation, partly because it occurred so recently and partly because many believe that the government has manipulated the data for political purposes. The Left is not alone in expressing impatience with slow economic growth. The French employers association, the Patronat, is calling for measures to improve the investment climate and foster 5-percent growth in 1978.

In the election campaign, Barre is arguing that long-run economic stability would suffer if Paris pushed for a resumption of rapid economic growth before inflation and the trade deficit were brought under control. He feels that the fruits of his stabilization policy will be fully evident in about two more years. Barre charges that implementation of the Communist-Socialist common program would destabilize the economy within six months. He stresses that the leftist package—which includes nationalizations, minimum wage hikes, and a jump in government spending—would discourage investment and spur inflation.

Two Scenarios

To quantify the outlook, we made two projections using the CIA econometric model of the French economy. The first projection was based on a ***current government*** scenario, the second on a ***moderate Left*** scenario. The current government scenario assumes that present government policies will be continued through 1978. It incorporates a 12-percent increase in government spending, a small rise in the minimum wage, and some relaxation of monetary policy. The moderate Left scenario allows for a 35-percent increase in government spending and a 35-percent jump in the minimum wage.

If the Current Government Wins . . .

If the current governing parties win at the polls, the emphasis on inflation and the trade balance will continue. The budget deficit would be about $1.8 billion on total outlays of $81 billion.

According to our estimate, real GNP growth would rise only slightly in 1978, to about 3½ percent. Overall demand would remain sluggish, with some strength coming from income tax relief to individuals and firms. Inflation should slow to about 8.5 percent, on a December-to-December basis. Unemployment would rise in first half 1978 but might decline slightly in the second half. Exports should continue to rise moderately, prospects being best for foodstuffs, automobiles, and capital goods. With sluggish consumer demand holding down imports, France should be able to cut the current account deficit another $1 billion, to about $2 billion.

If the Left Wins . . .

If the Left wins power in March and is able to put together a viable government, it probably will carry out its pledges to boost government transfers, hike the minimum wage, and nationalize leading business firms. The Left expects to raise government spending to nearly $100 billion in 1978 and sees the budget deficit rising to $8 billion. Expansionary moves by Paris would be partly offset by increased reluctance of businessmen to invest or hire.

The policies expected under moderate Left leadership would accelerate inflation and increase the trade deficit. We estimate that consumer prices would rise by at least 12 percent in 1978 under the influence of large increases in wages, government spending, and the money supply. The current account deficit would rise to about $4 billion. These aggravated financial problems would make gains in growth of production and employment even more difficult to achieve in subsequent years. (Confidential)

* * * * *

USSR: HARD CURRENCY POSITION IMPROVING

By pushing exports and holding down imports, the USSR has trimmed its hard currency trade deficit from the record $6.3 billion of 1975 to $5.5 billion in 1976 and $4 billion in 1977. With a cut in machinery imports in prospect, the deficit should be further lowered this year. The systematic reduction in the hard currency deficit has enabled Moscow to get better terms on new credits from Western banks.

Cutting Trade Deficits

The record Soviet hard currency deficit in 1975—caused in large part by the Western recession, which hit Soviet exports, and a harvest failure, which led to massive imports of Western grain—hurt Moscow's creditworthiness. For the first time the USSR borrowed heavily in the Eurodollar market (more than $4 billion), doubling its hard currency debt to $10 billion. This borrowing put some major Western banks close to their legal or self-imposed lending limits vis-a-vis the USSR, and they started to demand higher interest rates from Moscow.

The USSR began to reduce its hard currency trade deficit in 1976, cutting it to $5.5 billion by boosting oil exports. We believe the $1.4 billion increase in oil exports was made possible by a reduction in oil stocks and cutbacks in domestic consumption.

In 1977, the Soviets did even better, slicing the deficit to roughly $4 billion by keeping imports at about the 1976 level and expanding exports by 10 to 15 percent. Despite large ***orders*** for Western grain, we estimate that Soviet hard currency grain imports fell from a record high of $2.6 billion in 1976 to about $2.0 billion. The drop in grain imports was offset by an increase in machinery and equipment imports.

USSR: Hard Currency Balance of Payments

	1974	1975	1976	1977[1]
		Million US $		
Trade balance	−996	−6,335	−5,516	−4,000
Exports, f.o.b.	7,436	7,794	9,712	11,000
Imports, f.o.b.	8,432	14,129	15,228	15,000
Gold sales	683	1,000[2]	1,361	1,300
Invisibles and other hard currency trade[3]	1,601	902	929	1,230
Current account balance	1,288	−4,433	−3,226	−1,470
		Net credits	820	5,000
4,000	2,000			
Capital account balance	2,108	567	774	530
Net errors and omissions	−2,108	−567	−774	−530
Net debt (yearend)	5,000	10,000	14,000	16,000
		Percent		
Debt-service ratio[4]	15	22	27	28

[1] Estimated.
[2] Includes a rumored $250 million sale to Middle East parties.
[3] Includes estimated receipts from arms sales, known hard currency trade under clearing agreements, net receipts from tourism and transportation, and net interest payments on hard currency debt.
[4] Principal repayments on medium- and long-term debt and interest payments on total net debt as a share of merchandise exports.

Soviet exports generally benefited from rising world prices rather than from substantial increases in volume. Average annual prices were higher for oil and other Soviet export commodities such as diamonds, timber, and platinum-group metals. Soviet natural gas exports jumped from $346 million in 1976 to $600 million in 1977, mainly because of increased volume.

Moscow's hard currency earnings from other sources—arms sales, tourism, and transportation services—have risen at an annual rate of roughly 30 percent over the past two years. Shipments of military equipment probably reached $1.4 billion to $1.8 billion last year, up from $1.2 billion in 1976, because of large deliveries to Algeria, Iran, Iraq, Libya, and Syria. Net receipts from tourism and transportation probably hit $800 million in 1977, a rise of $200 million from the 1976 level.

Reducing Growth in Debt

Moscow has sharply curtailed the growth in its hard currency net borrowing over the past two years, from $5 billion in 1975 to $4 billion in 1976 and $2 billion in 1977. By yearend 1977, hard currency debt to the West stood at $16 billion.

Moscow also has sought to reduce its reliance on Western banks in an effort to counter adverse publicity on the size of its debt and to avoid paying what it considered unacceptable interest rates on further bank loans. Steps taken over the past two years to minimize the need for Western bank funds have included:

- Increased use of direct government loans and government-guaranteed supplier credits to finance a major part of machinery, equipment, and pipe imports from the West.

- Postponement of payments to suppliers in 1976 and 1977 for periods of up to one year to conserve cash.

- A step-up in gold sales, which produced a record $1.36 billion in 1976 and remained about the same in 1977.

In the meantime, the Soviets arranged only one $250 million syndicated Eurodollar loan in 1976-77, compared with three syndicated loans totaling $750 million in 1975.

Outlook for 1978

The Soviet hard currency trade deficit is likely to be reduced further in 1978; the hard currency current account may be in the black for the first time since 1974. Because repayments on past loans are catching up to new drawings, the growth in

debt should be further slowed this year. Imports of Western grain should rise to about $2.2 billion (1977 prices), or higher if grain prices increase or if the Soviet harvest is no better than in 1977. Imports of machinery and equipment are expected to decline by more than the increase in grain deliveries because of the large drop last year in machinery orders.

With a slightly improved economic outlook for the West in 1978, we expect Soviet non-oil exports to grow about as much as in 1977. The volume of hard currency oil exports may very well decline, however, after rising substantially in 1976 and remaining at a high level last year. Increased oil exports in 1976 were made possible by restrictions on the growth of domestic oil consumption and the drawing down of fuel stocks. Regional shortages of gasoline and diesel fuel were reported. With growth in oil output beginning to slow in 1977, fuel shortages persisted even though oil exports to the West were not appreciably increased. A further slowing in the growth of oil production appears almost certain this year. Oil exports to the West thus may decline unless Moscow is willing to pay the cost of further economies in domestic oil consumption. A reduction in oil exports to Eastern Europe would be politically unpalatable.

Moscow should not experience any difficulty in meeting its financial obligations in 1978, which include about $3.5 billion in debt service. Unused lines of direct government and government-guaranteed credits will cover a large part of Soviet machinery, equipment, and pipe imports from the West. Furthermore, the USSR apparently is about to line up a $300 million syndicated Eurocurrency loan—its first since July 1976—at an interest rate spread of only three-fourths of a percentage point over the London interbank rate.

The level of Soviet gold sales in 1978 will depend on Moscow's success in cutting the trade deficit, gold market conditions, and the cost and availability of Western bank credits. Given current excess liquidity in the Eurocurrency market, the high and rising price of gold, and the continued reduction in the Soviet hard currency trade deficit, Moscow's external financial position will be greatly strengthened. (Secret Noforn)

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GOLD: CONTINUING PRICE RISES ANTICIPATED

From a low of just over $100 a troy ounce in August 1976, the price of gold surged to more than $180 a troy ounce in late February, despite historically high gold supplies. Fears of inflation, depreciation of the US dollar, and heavy speculative buying have rekindled interest in gold as an alternative asset.

IMF Gold Amendments

With the amended IMF articles on gold scheduled to become effective within the next three months, the Group of 10 * along with Switzerland and Portugal did not renew the transitional gold agreement. Under the transitional agreement, which ran from August 1975 through 1 February 1978, central banks could not (a) increase their total monetary gold reserve holdings or (b) peg the free market price of gold. Until the new IMF articles are ratified by 60 percent of the members with a combined 80 percent of the votes, central banks will still operate under the original IMF articles, which prohibit buying gold above the official price of 35 SDRs a troy ounce.

When ratified, the amended IMF articles will allow central banks to buy and sell gold at the market price. Central banks will be allowed to bid in their own names at IMF auctions and to trade gold among themselves at mutually agreed prices. The amended IMF articles will also abolish the official price for gold and replace gold with SDRs as the numeraire for the international monetary system.

The prospect of liberalized IMF gold trading rules has focused the spotlight on gold markets. Traders hope for an expanded monetary role for gold as central banks come to view freed gold reserves as an important asset available for financing balance-of-payments deficits. In practice, we do not anticipate that central bank actions will change significantly under the new rules.

Speculative Demand Doubles

The amount of gold absorbed by speculative demand nearly doubled in 1977. Inflation fears accompanying US dollar weakness in international currency markets have been an important element behind the increase in gold demand for hoarding. Against the currencies of Japan, the United Kingdom, West Germany, and Switzerland, the US dollar fell in value by an average of 12 percent in fourth quarter 1977. During the same period, the pace of inflation rose in the United States while continuing to slacken in Japan, West Germany, the United Kingdom, and Switzerland. Estimates of future rates of inflation are sufficiently uncertain to make gold an attractive asset.

Gold markets broadened last year with large quantities of gold sold as coins. Nearly 40 percent of South African gold production in January of this year was marketed in the form of Krugerrands.** Record-breaking Krugerrand sales, especially in the US market, represent a new variable in the speculative demand equation.

* Belgium, Canada, France, Italy, Japan, the Netherlands, Sweden, the United Kingdom, the United States, and West Germany.

** A ***Krugerrand*** is a one-ounce, 22-carat gold South African coin.

Commercial Demand Remains High

Despite sharply higher dollar prices, commercial use of gold increased by nearly 5 percent in 1977. Industrial demand remained high as buyers rebuilt inventories in anticipation of higher prices. Most industrial gold is used in jewelry, which is often held privately as a store of wealth. Middle Eastern private gold purchases and traditionally price-inelastic uses such as in dentistry were largely unaffected by increasing dollar prices.

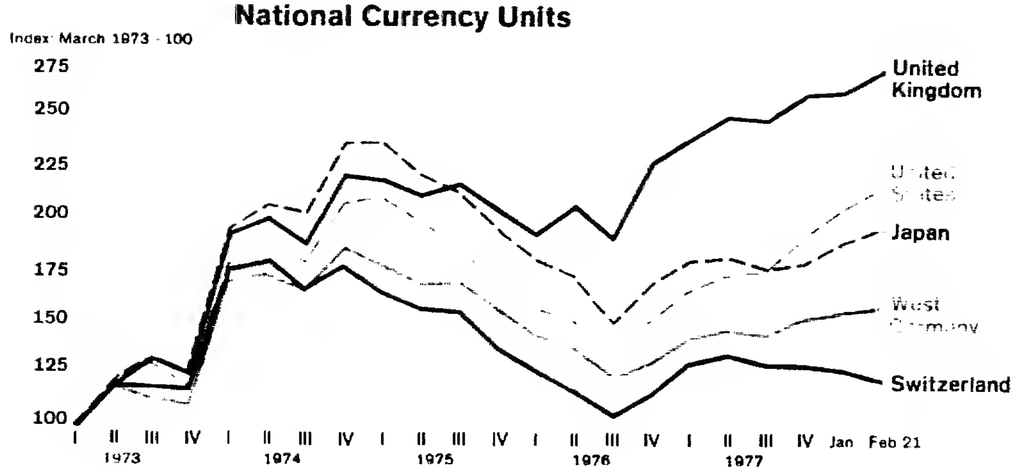
The surprisingly strong commercial demand for gold is partly explained by large exchange rate movements. Compared with a 32-percent rise in the dollar price of gold in the last 12 months, gold prices rose only 11 percent in yen, 12 percent in deutsche marks, and 16 percent in sterling. Measured in Swiss francs, gold prices fell by more than 4 percent. For holders of strong currencies, relative gold prices have not reached levels that might trigger a reduction in commercial demand.

Free Market Gold Supply and Consumption [1]

	1974	1975	1976	1977 [2]
	Tons			
Supply	**1,146**	**1,030**	**1,362**	**1,595**
Free world production	983	939	940	930
South Africa	759	707	708	700
Other	224	232	232	230
Communist sales	205	136	364	320
USSR	131	146	328	300
Other	74	−10	36	20
Sales from monetary stocks	−42	−45	58	345
Central banks	−42	−45	−63	155
IMF	0	0	120	190
Commercial use	453	724	1,145	1,197
Jewelry	230	531	883	908
Developed nations	292	323	448	473
Developing nations	−62 [3]	208	435	435
Electronics	96	65	75	84
Dentistry	62	65	72	75
Medals	6	16	47	47
Other	59	47	68	83
Available for hoarding	693	306	217	398
	Percent			
Change in US dollar price [4]	72.7	−24.4	−4.0	20.0

[1] Data for commercial use are taken from industry sources.
[2] Data for 1977 are estimated.
[3] Represents gold jewelry that was melted down and sold for other uses.
[4] Yearend over yearend.

National Currency Units



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Supply Augmentation

In 1977 the Free World gold supply rose by more than 17 percent from its already high 1976 level; the cxtra gold has come largely from the IMF and several central banks. The IMF gold auctions put 120 tons on the market in 1976 and another 190 tons in 1977. We estimate about 155 tons was sold by central banks; not all gold sales by central banks can be traced back to their source because of the extensive use of middlemen. The largest sale was 70 tons by Portugal. Some less developed countries are also known to have sold gold on the open market.

Soviet gold sales in the last two years were double the annual level of the early 1970s. Balance-of-payments problems have to a large extent caused the Soviets to alter their marketing plans. Other Communist countries were small net sellers in the last two years. Total Communist sales accounted for 20 percent of the gold offered in the Free World in 1977.

Prospects for 1978

The demand for gold in 1978 looks strong.

- Barring a turnaround in the US dollar's relative strength in exchange markets, gold will be an attractive nondollar asset.

- Political uncertainties in Italy and France—countries with extensive gold holdings—could add to speculative purchases.

- The psychological effect of central banks' becoming potential buyers will bolster speculative demand.

The supply of gold to the free market will likely remain steady or fall slightly this year. Free World gold production should be near last year's volume. South African mines are currently operating with a full complement of workers; so far, racial strife has not affected the mining compounds. Despite continued low capital inflows, South African balance-of-payments problems are not expected to be severe enough to force Pretoria to sell gold from government stocks. IMF sales of monetary stocks will continue through 1978-79 at roughly 195 tons a year. Soviet sales should not be larger this year than in 1977 and may be less.

Market participants expect the price of gold to reach $200 a troy ounce this year. The prospect of higher prices will add to the instability of gold markets and accentuate temporary price swings. (Secret)

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POLAND: DEALING WITH AN OVERCOMMITTED ECONOMY IN 1978

Poland's recently released 1978 economic plan reflects regime efforts to deal with the conflicting, apparently irreconcilable, demands of Polish workers and of Western creditors. The plan calls for a further shift of priorities in favor of the consumer and a slowdown in the growth of industrial output; it also sets the stage for a second year of no growth of imports from the West. Achievement of these objectives will neither eliminate the severe shortages of quality foods, especially meats, nor solve Poland's hard currency problem, but it is probably the most Poland can do in the short term, given its severe political and economic constraints.

On the consumer front, the government will hold its breath, hoping serious popular disturbances will be avoided until livestock herds can be rebuilt and the output of consumer industries expanded. On the foreign exchange front, the planned 9-percent growth of exports to the West, coupled with no growth of imports, would reduce the trade deficit to a level Poland could conceivably finance for the remainder of 1978, but more drastic measures to balance trade will be necessary over the next year or so unless large-scale debt rescheduling is obtained. Meanwhile, further cuts in imports will constrain both economic growth and consumer programs.

Background

Poland's current economic problems stem from policies initiated in 1970, which simultaneously aimed at rapid industrial modernization and a sharp rise in living standards. To help achieve these goals, Poland imported massive amounts of Western technology and equipment on the cuff and permitted sizable increases in income and consumption. Initially successful, these policies began to founder by 1974.

- Exports to the West could not keep pace with rapidly rising imports, creating a hard currency debt, which totaled an estimated $13 billion at yearend 1977, compared with $4 billion at yearend 1974.

- Poor grain and fodder crops forced Poland to import above-plan amounts of Western grain and set back livestock and meat consumption programs.

- Worker income continued to climb, while the availability of consumer goods increased slowly, creating serious shortages of meat and quality goods.

- In response to mounting consumer unrest, the regime froze prices of meat and other basic foods and boosted food subsidies to cover increased production costs.

- An effort in 1976 to hike meat prices by roughly 70 percent provoked violent worker reaction, which forced the regime to back down.

Facing Up to the Problems: Mixed Results

Over the past year or so, the regime has candidly discussed Poland's economic problems and what to do about them. Gierek has made the hard decision to cut imports from the West as the key to coping with the growing foreign debt. On the other hand, he has been unwilling to risk worker discontent by dealing firmly with food prices and income policies. Plans to curtail the growth of household income last year were undermined by uncontrolled increases in bonuses, pensions, and overtime.

Gierek put the population on notice at last month's National Party Conference that food prices would rise, but only gradually, and would be linked to increased agricultural output. To date, however, food prices remain frozen while money wages continue to grow, further intensifying the chronic shortages.

The 1978 Economic Plan: More for the Consumer

The 1978 economic plan calls for national income to grow at only 5.4 percent this year compared with the original five-year plan target of 7 percent per year; industrial production is to increase only 6.8 percent in 1978 compared with the 1976-80 goal of 8.5 percent per year. The plan further shifts emphasis toward the consumer at the expense of heavy industry, thereby reaffirming the change in growth targets begun in December 1976. Production of consumer goods—as well as products with established export markets—is to grow twice as fast as production of capital goods destined for the domestic market. The supply of services and housing construction also are to grow faster in 1978 than called for in last year's plan. Agriculture also continues to receive a high priority; production is slated to increase 6.7 percent in an apparent attempt to make up for the stagnation in 1976-77.

The rate of growth in agricultural output would be obtainable only with exceptional luck with the weather. Short of a major expansion of feedgrain and fodder output, the regime can do little in the near term to eliminate meat shortages. In keeping with the 1980 goal of rebuilding livestock inventories, the regime is offering only a small increase in meat supplies this year. Gierek hopes he can convince the Poles to wait for increased consumption until the herds have been rebuilt. Meanwhile, the 2-percent increase in meat supplies targeted for this year will leave per capita consumption below the peak 1975-76 levels, thus doing little to allay consumer resentment.

Balance-of-payments stringencies preclude the regime from relying more on foreign trade to alleviate the consumer's plight. Warsaw already is spending heavily to import grain and fodder to support the livestock program. Substantial sums also have been spent on meat imports, while meat exports have been slashed to bolster domestic supplies.

Foreign Trade Prospects

Warsaw must spur exports to the West to ease the pressure on its balance of payments. The revised 1976-80 plan, which called for a 15-percent annual growth rate (in constant prices) for exports, was unattainable and has been abandoned in practice. The 1978 plan projects a rise of 9.2 percent, a much more realistic goal in light of the present depressed market for traditional Polish exports and the obstacles faced in penetrating new Western markets. Last year, exports to the West increased 9.9 percent.

Meanwhile the regime has cut imports from the West in an effort to reduce the chronic trade deficits. Last year, imports fell 4 percent with substantially sharper cuts in imports of machinery, equipment, and certain industrial materials. Some plants have recently missed production targets because of the cut in imports of essential industrial materials. Warsaw nonetheless hopes to contain 1978 import volume at last year's level and appears ready to accept the further consequences for industrial production. Plants now under construction, for example, will be commissioned later than scheduled because of stretchouts in deliveries of equipment.

The targets of the 1978 trade plan are probably attainable. But continuation of 1977-78 import and export trends will not solve Poland's serious hard currency debt problem. If Poland increases hard currency exports by 9 percent annually while keeping imports constant, the trade deficit in 1980 would still amount to roughly $1.6 billion—half the record deficit of $3.3 billion set in 1976. In addition, servicing a debt that would reach $20 billion in 1980 would about equal total export earnings. Warsaw could not finance such foreign exchange requirements in the West without obtaining massive direct aid or debt rescheduling. The alternative course of sharply cutting imports would have severe domestic repercussions. Industrial production, including production of consumer goods, would be hard hit and real incomes might decline, an eventuality the government cannot risk because of the fear of popular reaction. (Confidential Noforn)

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CHINA: MORE EMPHASIS ON CIVIL AVIATION

As part of the general push to modernize the economy, Peking is expanding and polishing up its domestic and international air service. The policy, unveiled in the early 1970s after two decades of neglect, has gained momentum in the past three years. Highlights are fleet modernization, improved service, and upgraded airport facilities. The Civil Aviation Administration of China (CAAC), the Chinese national airline, has focused on expansion of the sparse domestic network while adding selectively to its limited international routes. Concurrently, the number of foreign airlines providing service to China has sharply increased.

Genesis of CAAC

Civil aviation in China began with the inauguration of service between Shanghai and Hankow in 1929. In the next decade, a thin network was developed, including a few short international links. Operations were brought largely to a standstill by World War II and China's civil war. Substantial aid from the USSR in the 1950s—mostly in the form of aircraft and maintenance facilities—allowed the new Communist government to begin restoring some services. Two airlines were established, the Soviet-Chinese Joint Stock Company for Aviation (SKOGA) and the Chinese-owned China People's Aviation Company.

The two companies were integrated in 1953 and within a year were merged to form a single airline, the CAAC, owned and controlled solely by the PRC. Throughout the 1960s, when China turned inward to solve pressing domestic problems, Peking paid little attention to civil aviation. As a result, the mainland was served by a rudimentary domestic network and was almost completely isolated from the international aviation scene.

Program for Fleet Modernization

In the early 1970s Peking, making an about-face in its civil aviation policy, began an aggressive fleet modernization program and pushed for bilateral civil aviation agreements, mostly with non-Communist countries. In 1974 it joined the International Civil Aviation Organization (ICAO). Since 1970, the PRC has spent roughly three-fourths of a billion dollars for foreign civil aircraft, spare parts, and air control equipment.

The acquisition of six Soviet long-range jet IL-62s in 1971 was the first step toward modernization. The Chinese were quick to criticize the IL-62s and began

looking at new Western aircraft. Despite expressed dissatisfaction with the IL-62s, we believe the major reasons for the shift to Western suppliers (aside from political considerations) were a desire to broaden sources of equipment and to add prestige to the CAAC fleet.

The initial purchase from the West in late 1971 involved six medium-range British Trident 2Es. Subsequent contracts brought total Trident 2E and 3B orders to 35 aircraft, of which 20 are assigned to the civil fleet. The next major acquisition of Western aircraft came when CAAC bought 10 long-range Boeing 707s in mid-1972. In addition to these purchases, China retains options for three Anglo-French Concordes.

China: Inventory of Jet and Turboprop Aircraft,[1] March 1978

	Country of Manufacture	Number	Engines	Normal Payload: Passengers	Normal Payload: Cargo (kg)	Range (km)
Jets		37				
IL 62 (Classic)	USSR	6	4	122-186	11,900	9,200
Trident	UK	21				
Model 1E		1	3	115-139		3,400
Model 2E		18	3	132-149		4,000-4,700
Model 3B		2	3	158-179		3,000-3,100
Boeing 707	US	10				
Model 320B		4	4	189	12,800	9,700-10,500
Model 320C		6	4	189	43,900	9,700-10,500
Turboprops		48				
IL 18	USSR	11	4	89	6,800	6,400
AN 12	USSR	2	4	90	4,300-9,500	3,600-7,800
Viscount 810	UK	5	4	52	6,600	2,600
AN 24	USSR	30	2	50	3,700	2,100

[1] In addition, CAAC has 335 piston aircraft, about three-fourths of which are single-engine AN 2s.

The Chinese penchant for multiple suppliers and the earlier reliance on the USSR have given CAAC one of the world's most varied civil air fleets, made up of 37 jets, 48 turboprops, and 335 piston aircraft. Because of the fast pace of acquisition, much of the fleet is underemployed. Nonetheless, Peking continues to express interest in various aircraft, including the West European A300 Airbus, the US DC-9, and various Boeing models.

Expansion of Routes

As more modern and longer range aircraft were added to the fleet, the government expanded the small domestic route network and increased international

service. The new international routes involved both the inauguration of long-haul service by CAAC and the authorization of additional foreign carrier service to the mainland.

Domestic Services

For more than two decades following establishment of the People's Republic, CAAC's domestic operations grew fitfully, remaining concentrated in northern and coastal cities. In the 1970s, the government expanded domestic routes from 80 to more than 120 and weekly flights from 150 to 350.

The pace of expansion has accelerated in the past three years, as newer jet aircraft entered domestic operations. One-third of the routes now are served by Western jets, mostly Tridents. The backbone of domestic operations remains the links between Peking, Shanghai, and Canton. Long-distance flights between Shanghai and Ch'eng-tu, Shanghai and Urumchi, and Canton and Ch'eng-tu have been added in the past year. The new flights are shifting operations southward and reducing the dominance of Peking.

International Links

The groundwork for much of the present expansion of international air service was laid in the early 1970s, when Chinese delegations traveled the world concluding bilateral air accords. China now has air agreements with 34 countries, twice the number in 1970 when most of the pacts involved other Communist countries.

Until 1973, international service was confined largely to the USSR, North Korea, and North Vietnam; there was a weekly round trip flight to Burma. In the past three years, CAAC has reached out beyond this regional base and has inaugurated services stretching from Japan across South Asia to Eastern and Western Europe.

Nine foreign carriers operate scheduled flights to the mainland. In the past four years the longstanding services of Aeroflot, North Korea's CAAK, Air France, and Pakistan's PIA have been augmented by new routes flown by Ethiopian Airlines (EAL), Iranair, Japan's JAL, Romania's Tarom, and Swissair.

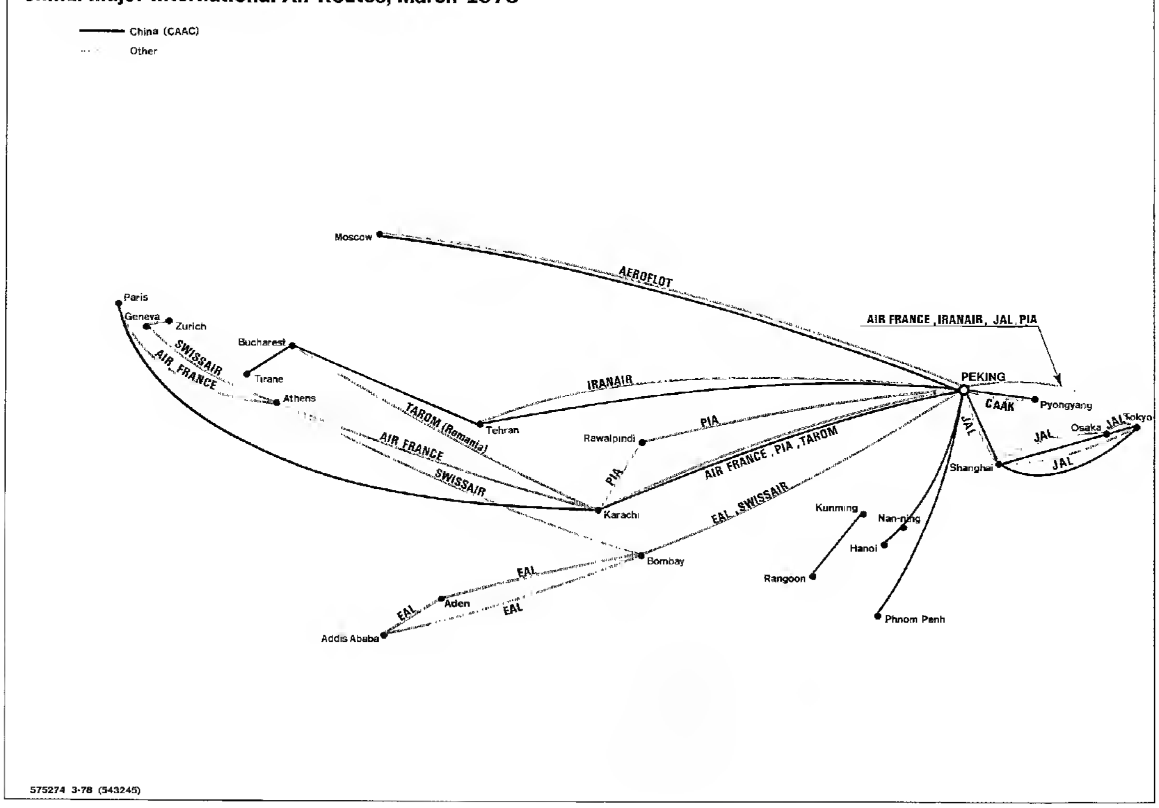
These nine airlines each operate at least weekly flights, which connect mainland China directly to Addis Ababa, Aden, Athens, Bombay, Bucharest, Geneva, Karachi, Moscow, Osaka, Paris, Rawalpindi, Pyongyang, Tehran, Tokyo, and Zurich. Services into these cities provide links to more than 100 other airlines.

Scheduled International Air Service To and From China, March 1978

	Flight Designation	Itinerary	Flights Per Week	Aircraft
Civil Aviation Administration of China	CA 901/902	Peking-Hanoi	1	Trident
	CA 903/904	Peking-Pyongyang	1	Trident
	CA 905/906	Kunming-Rangoon	1	Trident
	CA 907/908	Peking-Moscow	1	Ilyushin 62
	CA 921/922	Peking-Shanghai-Osaka-Tokyo	1	Boeing 707
	CA 923/924	Peking-Shanghai-Tokyo	1	Boeing 707
	CA 931/932	Peking-Karachi-Paris	1	Boeing 707
	CA 941/942	Peking-Tehran-Bucharest-Tirane	1	Boeing 707
	CA 951/952	Peking-Phnom Penh	Biweekly	Boeing 707
Aeroflot (USSR)	SU-571/572	Moscow-Peking	1	Ilyushin 62
Air France	AF-178/179	Paris-Athens-Karachi-Peking-Tokyo	1	Boeing 707
CAAK (North Korea)	KA 151/152	Pyongyang-Peking	1	Antonov 24
Ethiopian Airlines (EAL)	ET 771/772[1]	Peking-Bombay-Addis Ababa	1 [1]	Boeing 707 or 720B
	ER 773/774[1]	Peking-Bombay-Aden-Addis Ababa	1 [1]	Boeing 707 or 720B
Iran Air	IR 800/801	Tehran-Peking-Tokyo	2	Boeing 707
Japan Airlines (JAL)	JL 781/782	Tokyo-Peking	1	McDonnell Douglas DC-8S
	JL 785/786	Tokyo-Osaka-Shanghai-Peking	1	McDonnell Douglas DC-8S
Pakistan International Airlines (PIA) ..	PK 750/751	Karachi-Peking-Tokyo	1	Boeing 707
	PK 752/753	Karachi-Rawalpindi-Peking-Tokyo	1	Boeing 707
Tarom (Romania)	RO 311/312	Bucharest-Karachi-Peking	1	Ilyushin 62
Swissair	SR 316/317	Zurich-Geneva-Athens-Bombay-Peking	1	McDonnell Douglas DC-8S

[1] These flights are being operated on an intermittent basis because of the Ethiopian-Somalian War.

China: Major International Air Routes, March 1978



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Airport Improvements

In the past five years, the Chinese have made across-the-board improvements at their international and domestic airports, extending runways, increasing apron space, and upgrading air traffic control capabilities. A major renovation of Peking's central airport is now under way. The existing 3,200-meter runway is being extended, and a second runway of 3,200 meters is being built. Improved air traffic control procedures and a new control tower will enhance air traffic handling capability. Similar work has been completed or is under way at China's three other international airports, Shanghai, Canton, and Urumchi. Construction of a major new airport at Hofei has been completed, and work on two others, at Tientsin and Harbin, is continuing. The airports at Hofei and Tientsin are scheduled to provide alternative service to the fields at Shanghai and Peking, China's major gateway airports.

On the Horizon

Over the next few years, new routes will be added to the existing domestic network, especially in the south and west; and the flight frequency between major cities will be increased. On the international front, we anticipate expanded JAL and CAAC services between China and Japan, as well as new flights by Thai International and CAAC between China and Thailand. New CAAC service to Europe is expected to include flights to Belgrade and perhaps to Switzerland. CAAC flights to Addis Ababa are scheduled for this year, perhaps with flights to Senegal or to Dar es Salaam; the war in the Horn of Africa may delay these plans. Inauguration of new foreign airline service will hinge on Chinese willingness to permit expanded commercial contacts and tourism.

Peking continues to hold intermittent talks with major US and West European manufacturers on acquisitions of new aircraft. We see little reason for Peking to exercise its options on the Concorde except for prestige and perhaps for technological gain. In general, any major acquisition would seem unnecessary since the current fleet can readily meet all CAAC requirements over the next few years. (Secret Noforn)

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Special Article

YUGOSLAVIA: REGIONAL RIVALRIES AND A STOP-GO ECONOMY

Note: This article presents, in modified form, a recent briefing paper prepared in the Office of Economic Research.

The Yugoslav economy is characterized by a strong cyclical pattern of recession and boom, largely because of the economic disparities and nationalist antagonisms of the semi-independent republics and provinces. Attempts to drown these rivalries in rapid economic development have required massive spending that has boosted inflation, external deficits, and debt. When the side effects become too pronounced, brakes are applied, which reduce economic activity and lead to substantial unemployment. Yugoslav policy thus has alternated between expansion and restraint, producing strong cyclical fluctuations in economic activity. Unemployment and external deficits have become serious since 1973, mainly because of the slowdown of growth in Western Europe. Yugoslavia needs Western Europe as an outlet for surplus labor and as a key market for its exports; hard currency earnings are essential to pay for the advanced equipment and technology necessary for growth and modernization of the Yugoslav economy.

Economic crises have been avoided only by President Tito's ability to quash divisive regional squabbles over investment allocations and to restrain cyclical surges of inflation by imposing curbs on spending and prices. Tito's successors are not likely to have the same success in managing these economic problems and the underlying regional tensions.

Three Interrelated Problems

Unemployment

An estimated 5.6 percent of the Yugoslav labor force was out of work last year, nearly double the 1973 rate. Unemployment is greatest in the rural southern regions (Bosnia-Herzegovina, Montenegro, Macedonia, and Kosovo) with rapidly growing populations. Job opportunities in the south are limited by per capita production about one-half that of the industrialized north (Slovenia, Croatia, most of Serbia, Vojvodina). Rising unemployment in Western Europe has forced home 250,000 Yugoslav workers since 1973. An estimated 750,000 still work abroad.

External Debt

Yugoslavia's medium- and long-term hard currency debt grew from $2.7 billion at yearend 1973 to about $5 billion at yearend 1977. The increase stems largely from recurrent balance-of-payments deficits with the developed West. Sluggish West European growth has slowed Yugoslav exports and remittances by Yugoslav guest workers; remittances totaled an estimated $1.9 billion in 1977, or 30 percent of Yugoslavia's hard currency earnings. Imports from the West, on the other hand, have continued to rise rapidly because of Belgrade's need for advanced technology and the ease of obtaining Western financing.

Inflation

Both external debt and domestic inflation (an average of 17.5 percent annually since 1970) have been aggravated by easy money and big-spending policies rooted in regional disparities and in certain economic traditions inherited from East and West. Yugoslav economic practices are mixed, blending features of the Soviet-type command economy with features of the capitalist market economy. To minimize interregional friction, considerable economic authority has been given to the individual republics. Within republics, monopolistic collusion among the government, banks, enterprises, and workers' councils has resulted from a combination of (a) close ties of nationalistic solidarity; (b) the paucity of federal fiscal-monetary controls; (c) the lack of antitrust laws, and (d) the high degree of concentration in Yugoslav industry, where one or two firms typically produce the bulk of a major product. The result is chronic upward pressure on wages, spending, prices, profits, and credits.

1974-77 Oscillations

In 1974-75, sharply rising import prices and global recession produced annual consumer price increases of nearly 23 percent and current account deficits of more than $1 billion. To right the imbalances, Tito temporarily and unofficially restored centralized economic control via the Party hierarchy in 1976. Restrictions on imports, prices, and credit, together with a concurrent jump in exports to the West, balanced the external account and slowed inflation to 11 percent. But the policy restraints also kept GNP growth at 4 percent and boosted unemployment.

Belgrade accordingly dropped central controls last year, permitting the regions to resume their inflationary policies. Growth accelerated, causing unemployment to level off but throwing external accounts back in the red. Imports from the West jumped 36 percent while exports increased only 8 percent. The hard currency deficit rose to a

record $1.3 billion to $1.5 billion. When repayment obligations were added to the deficit, the net borrowing requirement stood at approximately $2.5 billion.

Current Balance-of-Payments Policy

The Yugoslavs apparently are depending on continued easy borrowing abroad to finance large imports. They are maintaining expansionary policies, opting to live with a large external deficit in order to minimize unemployment. Industrial output growth of 7 to 8 percent is targeted for 1978. No mention has been made in policy statements of the need to rein in the external deficit, which would require slower growth and severe restrictions on imports, credit, and prices. Any such reversion to austerity measures only a year after the relaxation of restraints would be politically difficult, particularly before the Party congress next May.

Belgrade is thus contenting itself with half-measures—floating the dinar downward with the dollar, requiring more barter deals by Yugoslav importers, and pressing for commercial and financial concessions from major trading partners, especially in the developed West. Little relief can be expected from Soviet and East European sources because of their own economic problems and hard currency stringencies. We suspect Belgrade is hoping that the West will grant preferences because of fears that Yugoslavia will drift into dependence on the USSR.

The Yugoslav government needs to take strong measures if the external deficits are not to get out of hand. Prospects for exports and invisibles earnings remain clouded by the continued lackluster performance of many Western economies. Maintenance of a 6-percent GNP growth rate probably will require above-plan increases in oil imports. Bank loans will be more difficult to obtain if the liquidity of bank lenders tightens or if Yugoslavia's $2.5 billion in hard currency reserves is drawn down substantially. In the latter event, Yugoslavia's credit rating might well plummet because of (a) its inability under the decentralized system to enforce external financial commitments by enterprises; (b) its history of past debt reschedulings; and (c) the uncertainty of Yugoslavia's future debt repayment capabilities after the passing of Tito, who has been called "the only Yugoslav."

Coping with Unemployment

Current trends raise the possibility of mushrooming unemployment. Belgrade expects about 150,000 more Yugoslav workers to return from Western Europe through 1980, leaving about 600,000 abroad. Although large factories are overhiring in order to alleviate local unemployment and plans to help some returnees establish small businesses have been announced, the republic governments have provided little in the

way of funds. The 6-percent GNP growth rate, on which Belgrade is relying to reduce unemployment, is not being attained because of energy and balance-of-payments constraints. Production of oil, coal, natural gas, and electricity has been falling behind schedule because of investment shortfalls due in part to the constraints on importing machinery and industrial raw materials.

Structural Reform?

No major remedies for endemic cyclical fluctuations or other economic problems are indicated in current policy directions. Stronger and more permanent central controls through party channels have been urged by Tito's heir apparent Stane Dolanc and by Edward Kardelj, top party ideologue, but no steps have been taken in this direction. Indeed, recent laws have further decentralized the economy, giving republics increased authority over hard currency allocations and food subsidies and splitting enterprises into separate decisionmaking sections.

Yugoslavia: Regional GNP Disparities [1]

	GNP (Percent Share)		Per Capita (1976 US $)	
	1965	1976	1965	1976
Total	100.0	100.0	1,220	1,980
Northern regions	78.5	78.3	1,450	2,430
Slovenia	15.2	16.8	2,200	4,020
Croatia	26.5	26.4	1,480	2,490
Serbia	25.1	24.0	1,190	1,880
Vojvodina	11.7	11.1	1,460	2,370
Southern regions	21.5	21.7	780	1,170
Bosnia-Herzegovina	12.4	12.4	880	1,320
Montenegro	1.8	1.8	840	1,400
Macedonia	5.3	5.5	840	1,290
Kosovo	2.0	2.0	440	590

[1] Derived from official Yugoslav data.

Yugoslav programs have not narrowed the regional economic disparities that have contributed to inflation and unemployment. As in many developing countries, the gap in per capita GNP between richer and poorer regions is widening. Economic growth has been as rapid in the less-developed south as in the north, but meanwhile population in the south is growing at triple the northern rate. More than one-fourth of the south's investment and much of its social services are financed by northern grants or long-term loans. The IBRD has promised the south two-thirds of its planned developed loans to Yugoslavia through 1980. But energy, minerals, and agricultural development projects located largely in the south still take a back seat in domestic allocation plans because of the greater clout of the northern republics. (Confidential)

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Publication of Interest*

Communist Aid and Trade Activities in Less Developed Countries, Fourth Quarter 1977
(ER CAT 78-001, February 1978, Secret Noforn-Nocontract)

This report reviews Communist economic and military transactions in the Third World during fourth quarter 1977. It also contains two special articles on Soviet trade and aid relationships with Egypt and Peru.

* Copies of this publication may be ordered by calling [redacted]

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National
Foreign
Assessment
Center

Economic Indicators Weekly Review

2 March 1978

ER EI 78-009
2 March 1978

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FOREWORD

1. The **Economic Indicators Weekly Review** provides up-to-date information on changes in the domestic and external economic activities of the major non-Communist developed countries. To the extent possible, the **Economic Indicators Weekly Review** is updated from press ticker and Embassy reporting, so that the results are made available to the reader weeks—or sometimes months—before receipt of official statistical publications. US data are provided by US government agencies.

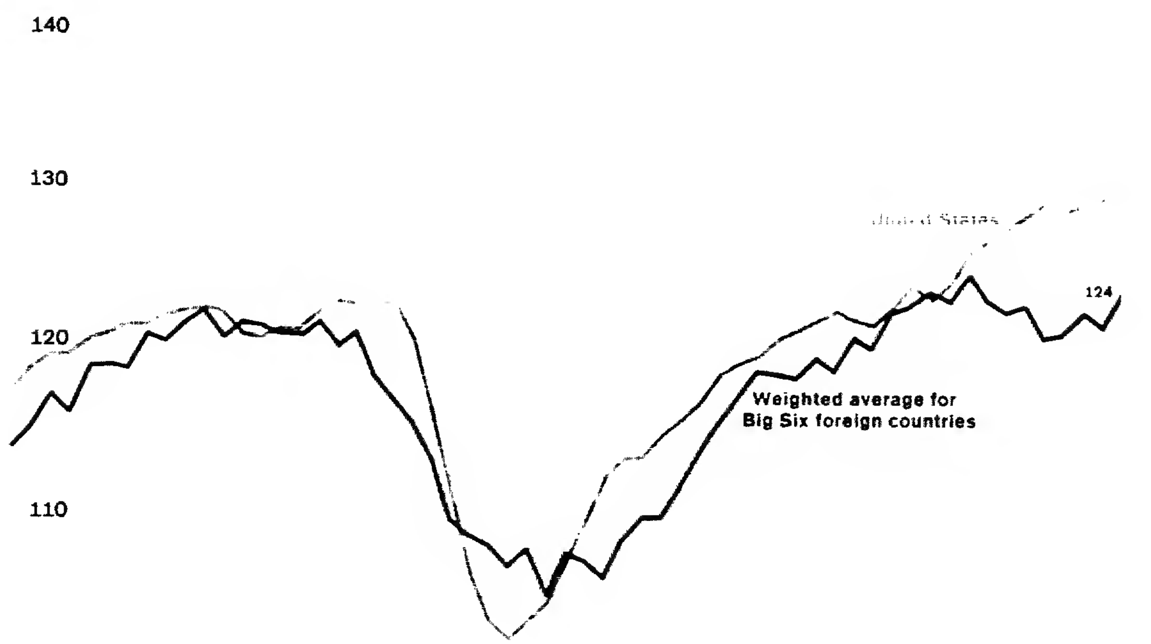
2. Source notes for the **Economic Indicators Weekly Review** are revised every few months. The most recent date of publication of source notes is 16 February 1978. Comments and queries regarding the **Economic Indicators Weekly Review** are welcomed.

BIG SIX FOREIGN COUNTRIES[1] COMPOSITE INDICATORS

Industrial Production

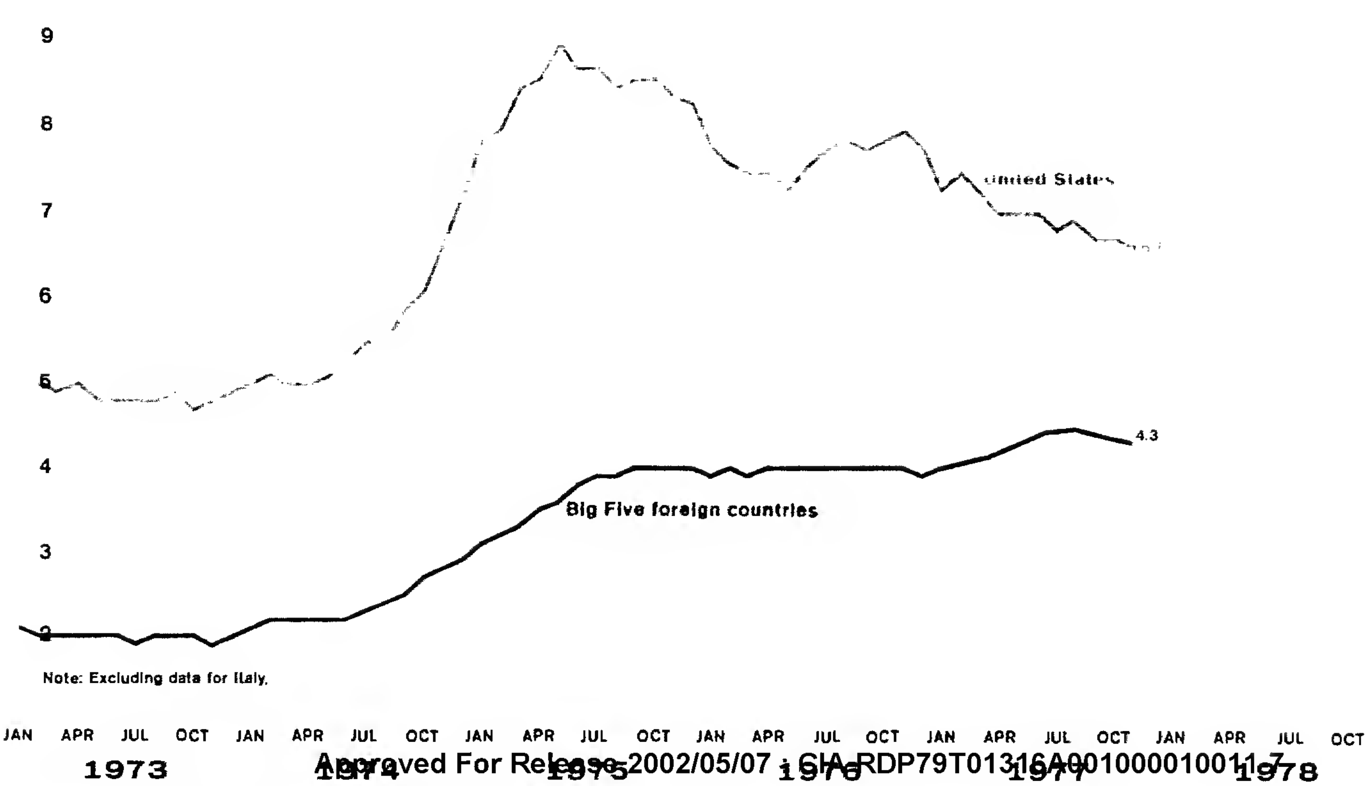
INDEX: 1970=100, seasonally adjusted

Semilogarithmic Scale



Unemployment Rate

Percent

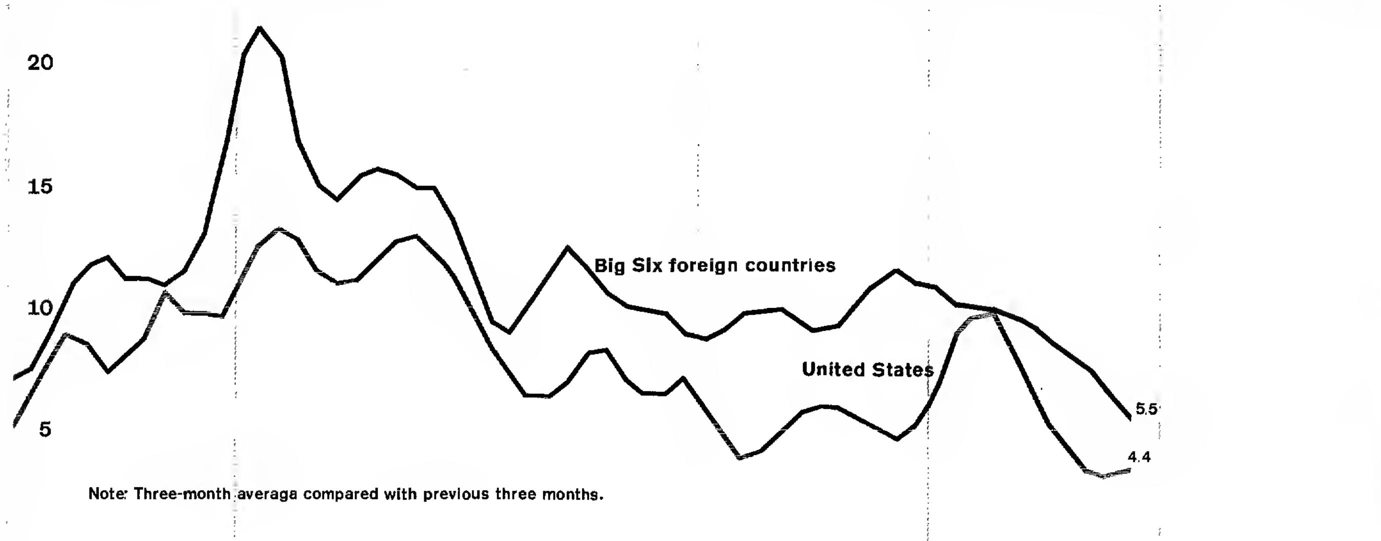


Note: Excluding data for Italy.

[1] Including Japan, West Germany, France, the United Kingdom, Italy, and Canada.

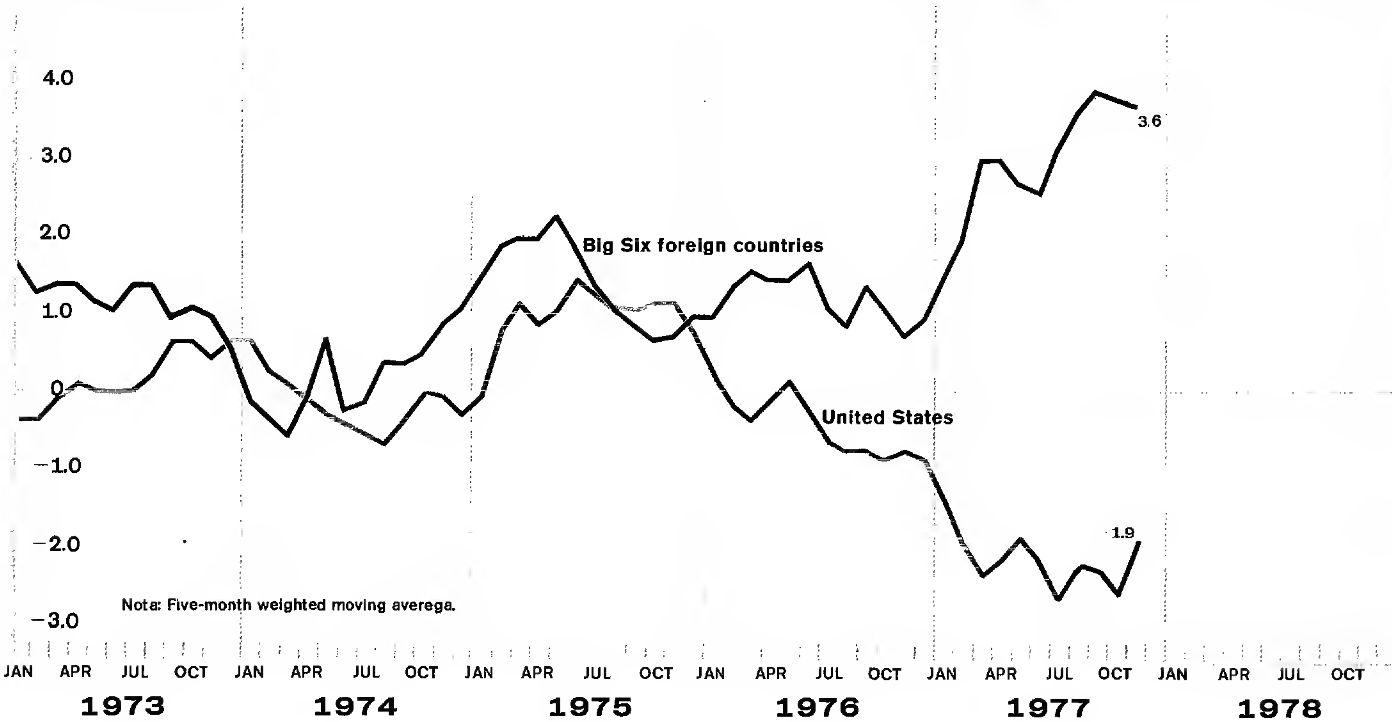
Consumer Price Inflation

Percent, seasonally adjusted, annual rate



Trade Balance

Billion US $, f.o.b., seasonally adjusted



	LATEST MONTH	Percent Change from Previous Month	AVERAGE ANNUAL GROWTH RATE SINCE 1970	1 Year Earlier	3 Months Earlier[2]
Industrial Production					
Big Six	NOV 77	1.9	2.9	0.7	3.1
United States	NOV 77	0.3	3.5	5.8	2.0
Consumer Prices					
Big Six	DEC 77	0.5	9.4	7.8	5.5
United States	DEC 77	0.5	6.5	6.8	4.4

	LATEST MONTH		1 Year Earlier	3 Months Earlier
Unemployment Rate				
Big Five	NOV 77	4.3	4.0	4.5
United States	NOV 77	6.7	8.0	7.0

	LATEST MONTH	MILLION US $	CUMULATIVE (MILLION US $) 1977	1976	Change
Trade Balance					
Big Six	NOV 77	3,536	31,912	12,790	19,174
United States	NOV 77	−2,082	−24,479	−5,012	−19,467

[2] Average for latest 3 months compared with average for previous 3 months, seasonally adjusted at annual rate.

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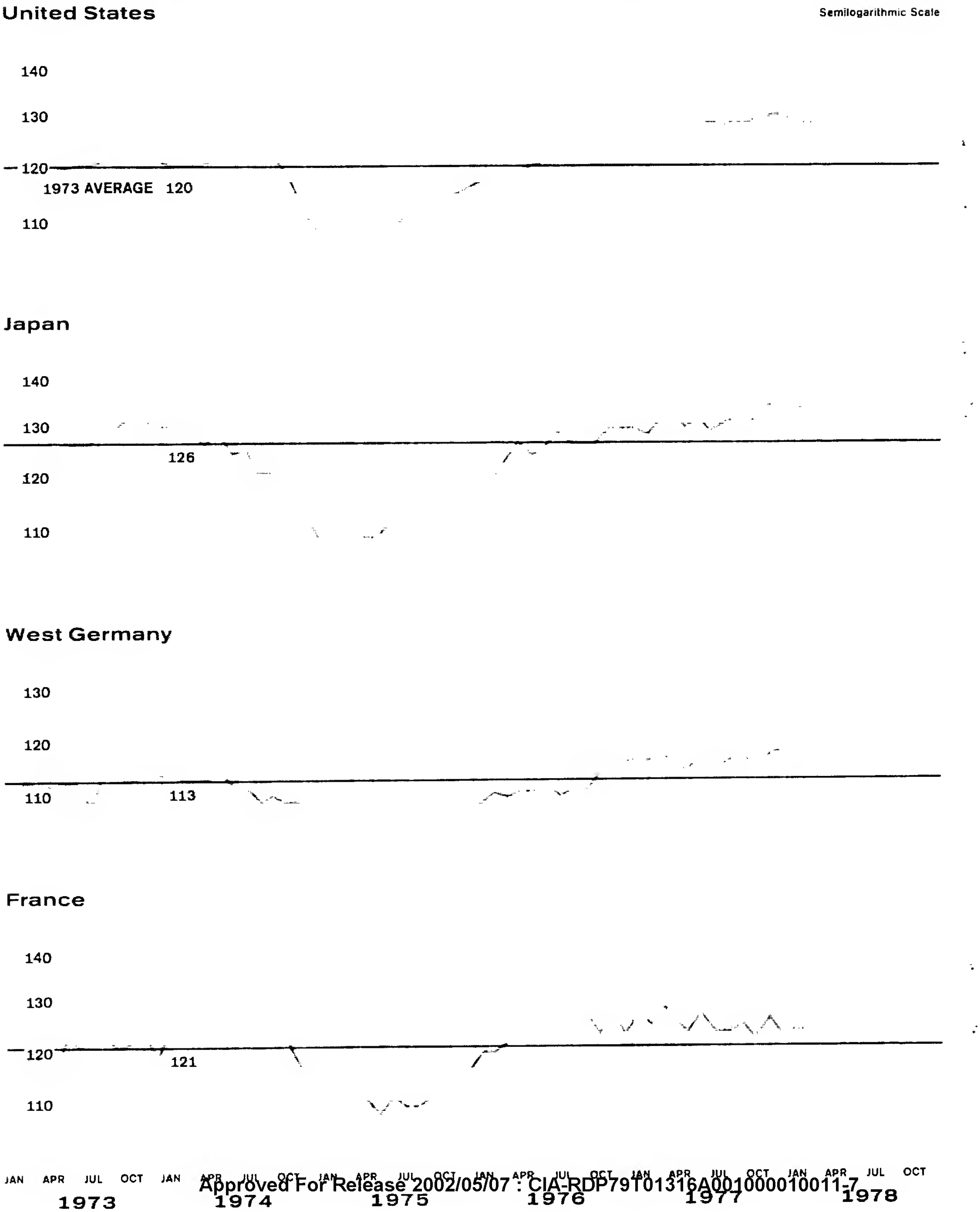
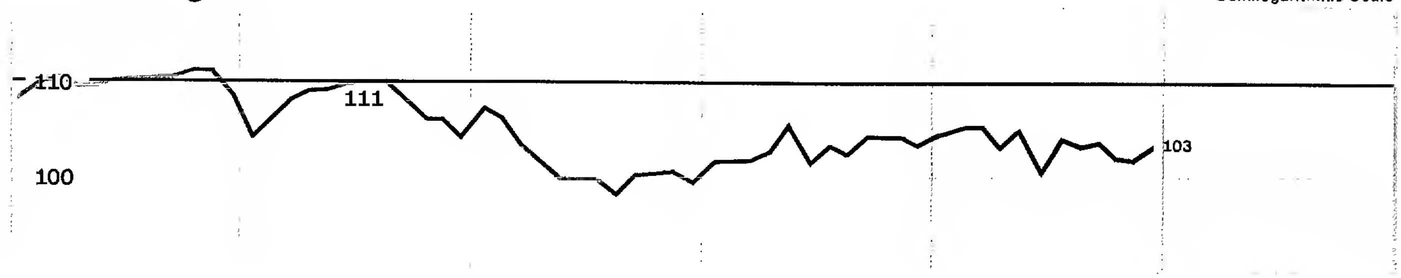
INDUSTRIAL PRODUCTION INDEX: 1970=100, seasonally adjusted

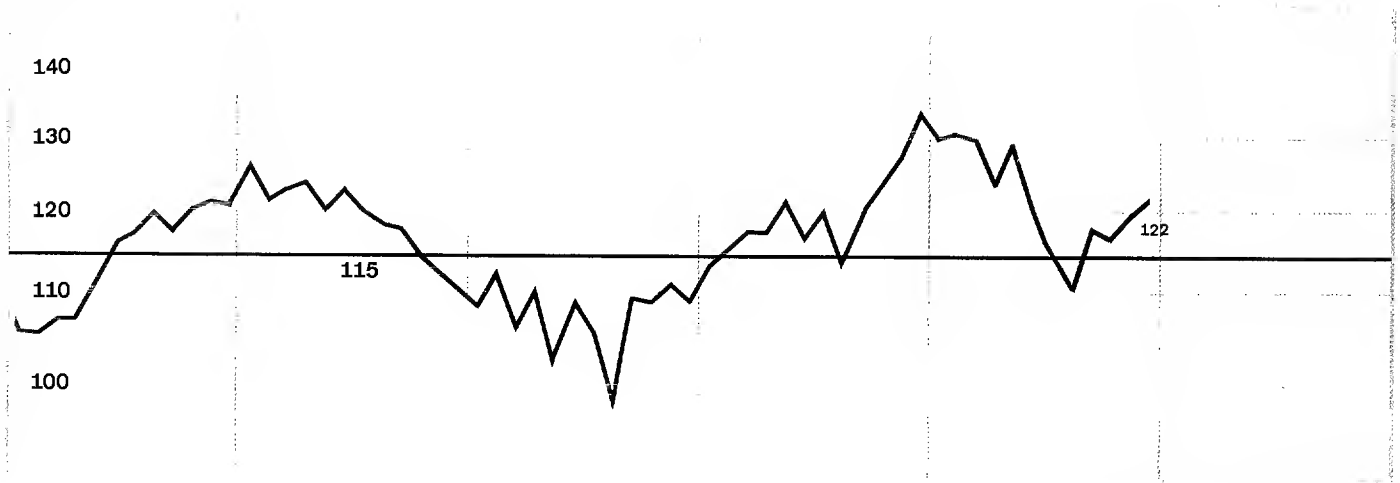


United Kingdom

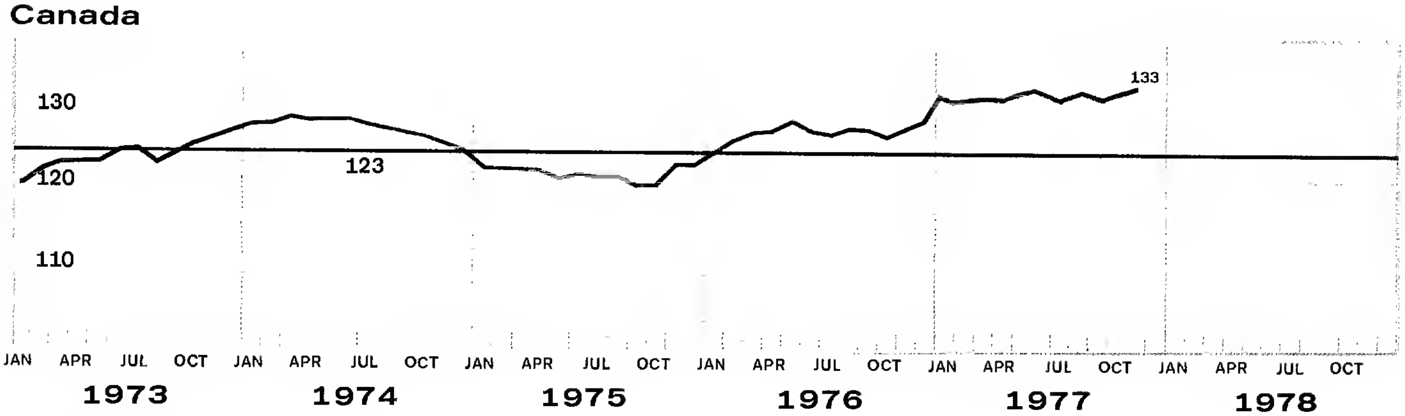
Semilogarithmic Scale



Italy



Canada



	LATEST MONTH	Percent Change from Previous Month	AVERAGE ANNUAL GROWTH RATE SINCE 1970	1 Year Earlier	3 Months Earlier[1]
United States	JAN 78	−0.7	3.4	4.8	1.9
Japan	DEC 77	−0.3	4.0	3.3	8.7
West Germany	DEC 77	1.7	2.4	2.6	4.7
France	DEC 77	−3.1	2.8	−1.6	−1.1
United Kingdom	DEC 77	1.4	.4	−1.2	−4.7
Italy	DEC 77	1.4	2.7	−10.0	17.7
Canada	NOV 77	0.6	3.9	4.5	0.6

[1]Average for latest 3 months compared with average for previous 3 months.

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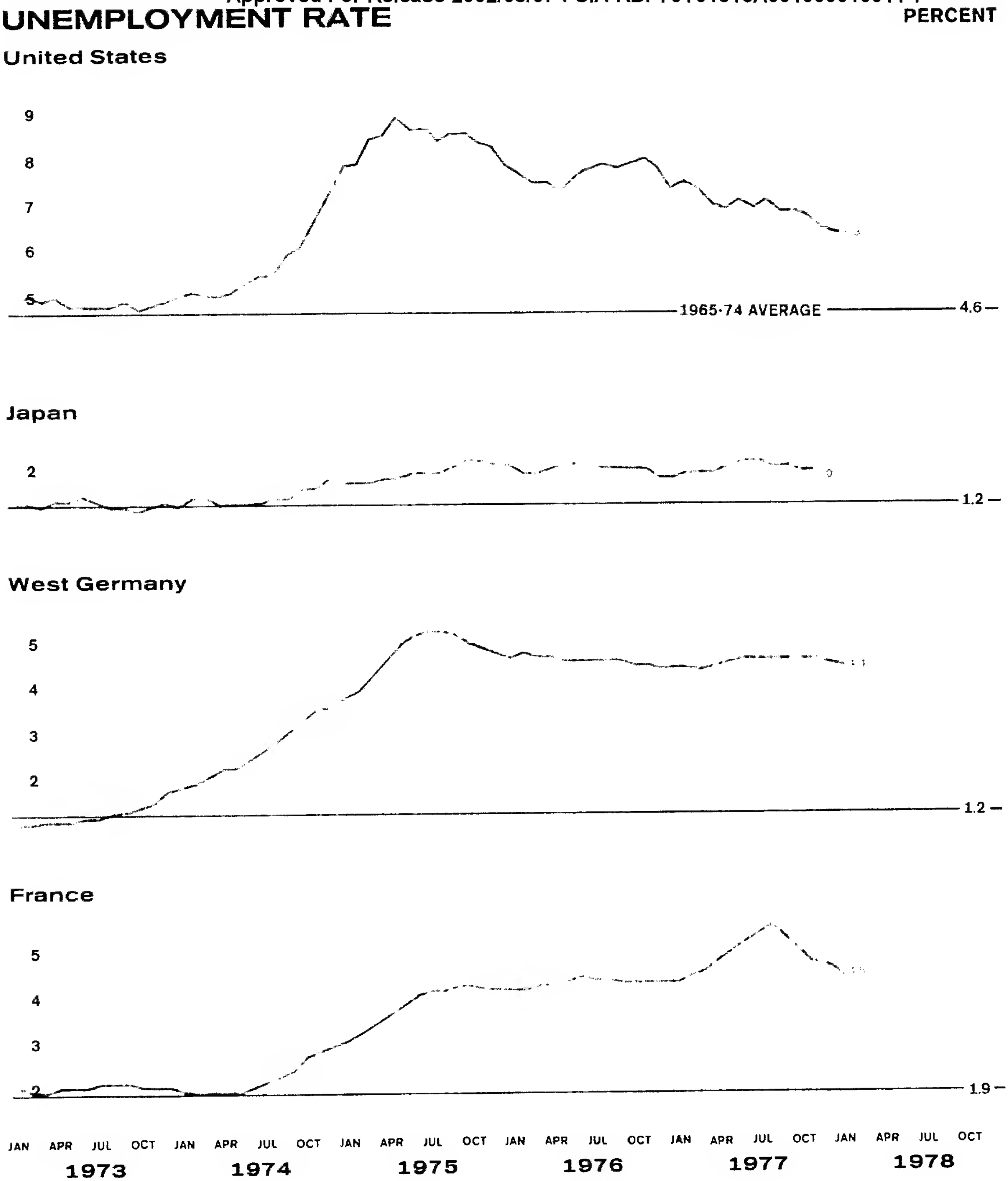
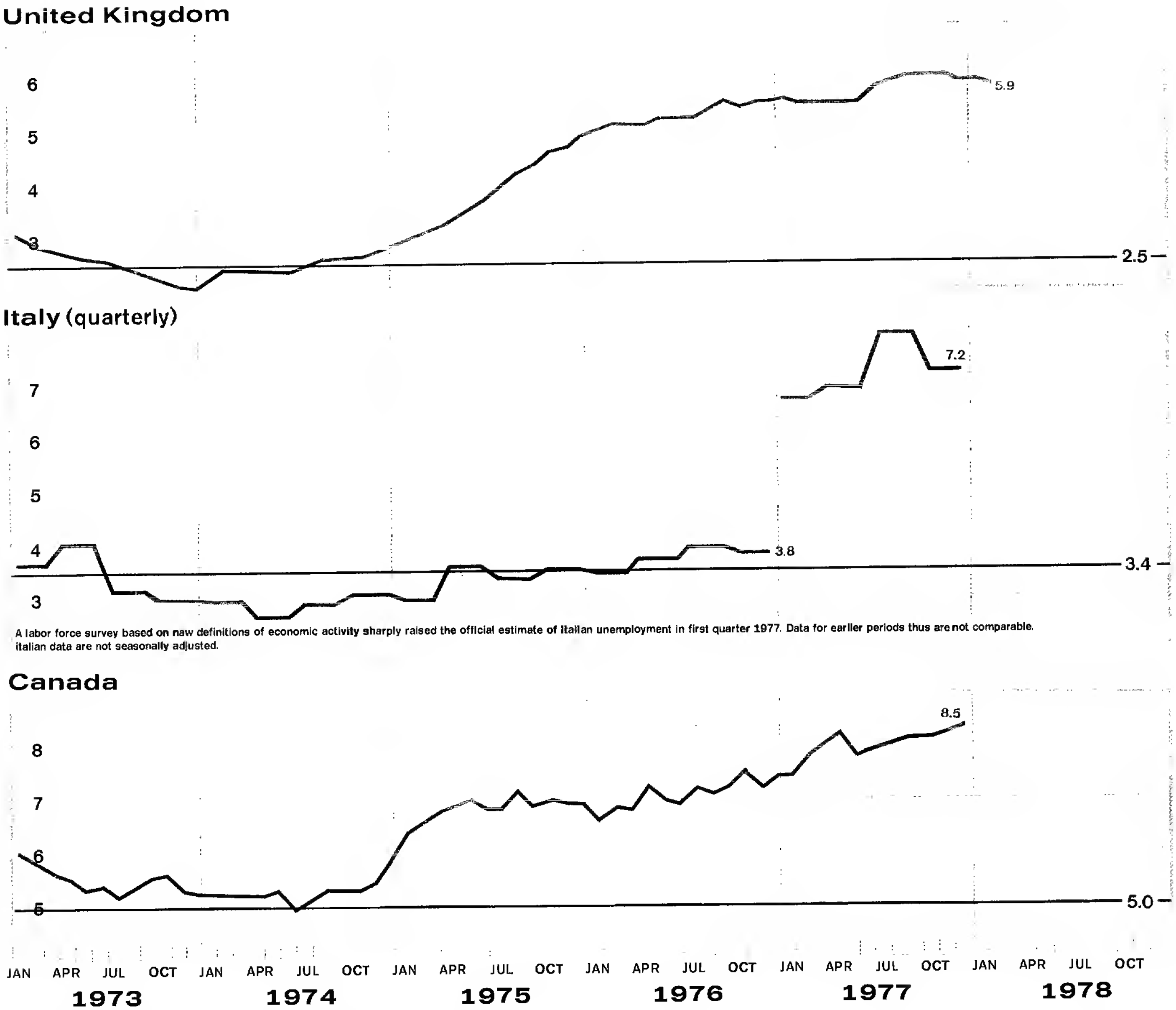
UNEMPLOYMENT RATE





A labor force survey based on new definitions of economic activity sharply raised the official estimate of Italian unemployment in first quarter 1977. Data for earlier periods thus are not comparable. Italian data are not seasonally adjusted.

THOUSANDS OF PERSONS UNEMPLOYED

	LATEST MONTH		1 Year Earlier	3 Months Earlier
United States	JAN 78	6,226	6,958	6,872
Japan	NOV 77	1,110	1,070	1,130
West Germany	JAN 78	1,008	1,020	1,031
France	JAN 78	991	945	1,100
United Kingdom	FEB 78	1,409	1,331	1,433
Italy	77 IV	1,598	777	1,692
Canada	DEC 77	911	772	798

NOTE: Data are seasonally adjusted. Unemployment rates for France are estimated. The rates shown for Japan and Canada are roughly comparable to US rates. For 1975-78, the rates for France and the United Kingdom should be increased by 5 percent and 15 percent respectively, and those for West Germany decreased by 20 percent to be roughly comparable with US rates. Beginning in 1977, Italian rates should be decreased by 50 percent to be roughly comparable to US rates.

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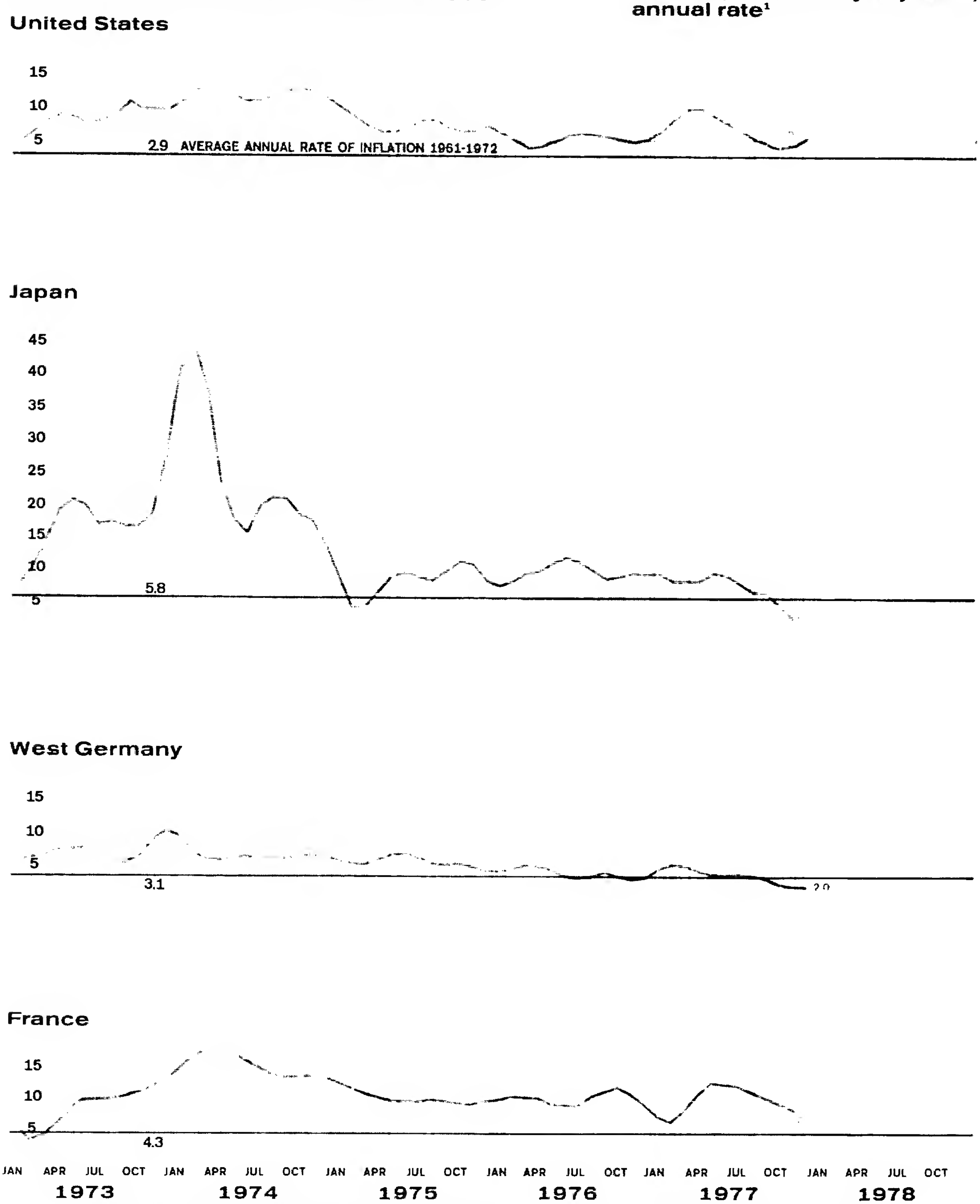
CONSUMER PRICE INFLATION

Percent, seasonally adjusted, annual rate[1]



[1] Three-month average compared with previous three months.

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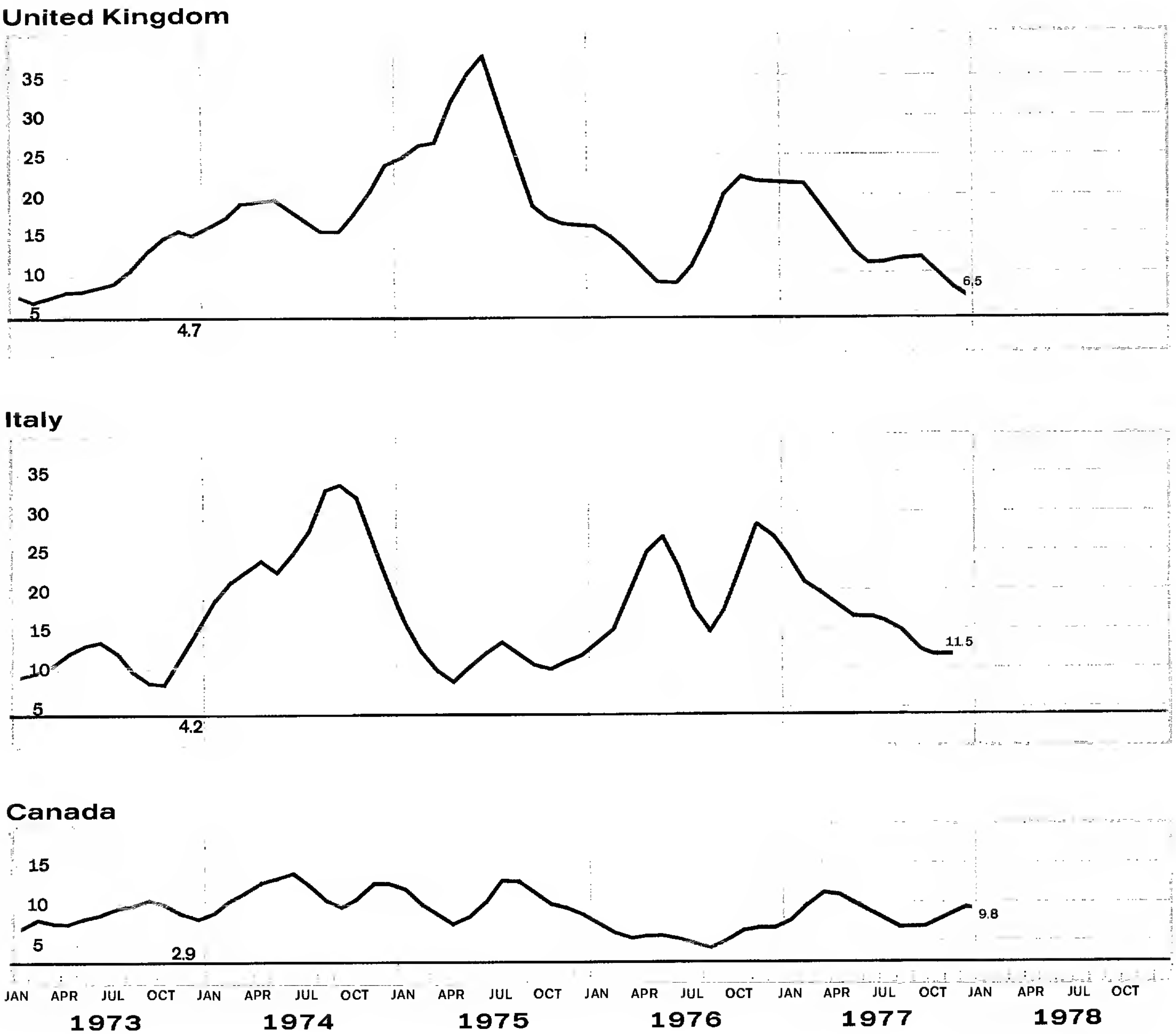

	LATEST MONTH	Percent Change from Previous Month	AVERAGE ANNUAL GROWTH RATE SINCE 1970	1 Year Earlier	3 Months Earlier[2]
United States	JAN 78	1.0	6.6	7.0	6.1
Japan	DEC 77	0	10.1	4.8	2.1
West Germany	JAN 78	0.2	5.4	3.3	2.0
France	DEC 77	0.5	9.0	9.0	7.9
United Kingdom	JAN 78	0.2	13.5	9.9	6.5
Italy	DEC 77	0.9	13.2	14.9	11.5
Canada	JAN 78	0.5	7.5	9.0	9.8

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[2]Average for latest 3 months compared with average for previous 3 months, seasonally adjusted at annual rate.

GNP[1]

Constant Market Prices

	Latest Quarter	Percent Change from Previous Quarter	Average Annual Growth Rate Since 1970	1 Year Earlier	Previous Quarter
United States	77 IV	1.0	3.3	5.7	4.2
Japan	77 III	0.5	5.4	5.2	1.8
West Germany	77 III	−0.1	2.4	2.1	−0.4
France	77 III	0.2	3.7	2.3	0.9
United Kingdom	77 II	0.7	1.7	0.4	2.9
Italy	77 II	−1.9	2.8	2.8	−7.3
Canada	77 III	1.3	4.6	2.5	5.3

[1] Seasonally adjusted.

RETAIL SALES[1]

Constant Prices

	Latest Month	Percent Change from Previous Month	Average Annual Growth Rate Since 1970	1 Year Earlier	3 Months Earlier[2]
United States	Dec 77	−1.3	3.2	0.9	11.6
Japan	Sep 77	−4.2	9.3	4.1	0.7
West Germany	Oct 77	−1.7	2.1	3.6	−3.3
France	Nov 77	6.7	−0.6	−3.0	−12.0
United Kingdom	Dec 77	3.2	1.4	1.1	0.8
Italy	Oct 77	−6.8	1.9	−4.0	−11.1
Canada	Oct 77	2.0	4.3	1.4	11.5

[1] Seasonally adjusted.
[2] Average for latest 3 months compared with average for previous 3 months.

FIXED INVESTMENT[1]

Non-residential; constant prices

	Latest Quarter	Percent Change from Previous Quarter	Average Annual Growth Rate Since 1970	1 Year Earlier	Previous Quarter
United States	77 IV	2.0	2.3	9.4	8.4
Japan	77 III	−1.1	0.8	0.8	−4.1
West Germany	77 III	1.7	0.5	8.3	6.8
France	77 III	−0.7	3.4	−0.7	−2.7
United Kingdom	77 II	11.2	1.7	6.7	53.2
Italy	77 II	−7.8	2.5	10.3	−27.6
Canada	77 III	−1.1	5.8	3.2	−4.2

[1] Seasonally adjusted.

WAGES IN MANUFACTURING[1]

	Latest Period	Percent Change from Previous Period	Average Annual Growth Rate Since 1970	1 Year Earlier	3 Months Earlier[2]
United States	Jan 78	1.0	7.6	8.2	7.9
Japan	Oct 77	0	16.7	8.3	9.8
West Germany	77 III	1.2	9.3	7.4	5.0
France	77 IV	3.1	14.1	12.0	12.9
United Kingdom	Nov 77	0	14.9	3.4	2.0
Italy	Nov 77	2.9	20.7	23.6	16.3
Canada	Oct 77	0.2	11.3	11.4	8.9

[1] Hourly earnings (seasonally adjusted) for the United States, Japan, and Canada; hourly wage rates for others. West German and French data refer to the beginning of the quarter.
[2] Average for latest 3 months compared with that for previous 3 months.

MONEY MARKET RATES

	Representative rates	Latest Date	Percent Rate of Interest	1 Year Earlier	3 Months Earlier	1 Month Earlier
United States	Commercial paper	Feb 22	6.78	4.75	6.53	6.79
Japan	Call money	Feb 24	4.88	7.00	4.63	5.25
West Germany	Interbank loans (3 months)	Feb 22	3.39	4.62	4.16	3.50
France	Call money	Feb 24	10.50	10.00	9.38	9.25
United Kingdom	Sterling interbank loans (3 months)	Feb 22	7.01	11.34	6.95	6.16
Canada	Finance paper	Feb 22	7.14	7.60	7.26	7.08
Eurodollars	Three-month deposits	Feb 22	7.33	5.06	6.98	7.30

EXPORT PRICES
US $

	Latest Month	Percent Change from Previous Month	Average Annual Growth Rate Since 1970	1 Year Earlier	3 Months Earlier
United States	Dec 77	1.1	9.3	3.0	6.2
Japan	Dec 77	3.8	11.3	14.1	50.0
West Germany	Nov 77	0.8	11.3	8.2	9.9
France	Sep 77	−1.4	11.2	8.3	11.7
United Kingdom	Dec 77	2.0	11.6	22.0	32.7
Italy	Sep 77	−0.8	11.2	13.4	9.8
Canada	Oct 77	−2.3	8.7	−5.7	−12.0

EXPORT PRICES
National Currency

	Latest Month	Percent Change from Previous Month	Average Annual Growth Rate Since 1970	1 Year Earlier	3 Months Earlier
United States	Dec 77	1.1	9.3	3.0	6.2
Japan	Dec 77	2.3	5.4	−6.6	0
West Germany	Nov 77	−0.8	4.2	0.6	−3.5
France	Sep 77	−0.9	9.4	8.5	10.1
United Kingdom	Dec 77	0.1	15.6	10.3	3.8
Italy	Sep 77	−0.7	16.6	18.7	8.9
Canada	Oct 77	0	9.4	6.5	1.3

IMPORT PRICES
National Currency

	Latest Month	Percent Change from Previous Month	Average Annual Growth Rate Since 1970	1 Year Earlier	3 Months Earlier
United States	Dec 77	−1.6	12.6	6.1	−3.3
Japan	Dec 77	−2.6	8.2	−15.5	−33.0
West Germany	Nov 77	1.4	4.0	0.8	− 8.3
France	Sep 77	−1.0	10.1	7.4	0.6
United Kingdom	Dec 77	0.1	18.1	3.0	−6.7
Italy	Sep 77	1.0	20.8	15.8	8.4
Canada	Oct 77	1.0	8.7	15.6	1.8

OFFICIAL RESERVES

	Latest Month: End of	Billion US $	Billion US $: Jun 1970	1 Year Earlier	3 Months Earlier
United States	Jan 78	19.5	14.5	18.7	19.0
Japan	Jan 78	23.4	4.1	16.5	19.6
West Germany	Nov 77	36.8	8.8	34.6	34.9
France	Oct 77	10.1	4.4	9.6	9.9
United Kingdom	Nov 77	20.7	2.8	5.2	15.0
Italy	Dec 77	11.6	4.7	6.7	10.5
Canada	Nov 77	4.2	4.3	5.1	4.8

CURRENT ACCOUNT BALANCE [1]

	Latest Period	Million US $	Cumulative (Million US $) 1977	1976	Change
United States [2]	77 III	−4,302	−13,064	−48	−13,016
Japan	Dec 77	2,180	11,112	3,680	7,432
West Germany	Dec 77	1,205	3,584	2,659	926
France	77 IV	136	−3,179	−5,721	2,541
United Kingdom	77 III	916	−691	−1,539	848
Italy	77 II	161	−761	−2,859	2,098
Canada	77 III	−1,150	−4,106	−3,215	−890

[1] Converted to US dollars at the current market rates of exchange.
[2] Seasonally adjusted.

BASIC BALANCE [1]
Current and Long-Term-Capital Transactions

	Latest Period	Million US $	Cumulative (Million US $) 1977	1976	Change
United States		No longer published [2]			
Japan	Dec 77	1,920	7,876	2,696	5,180
West Germany	Dec 77	1,987	−1,648	2,472	−4,120
France	77 IV	149	−3,218	−6,842	3,624
United Kingdom	77 III	2,238	3,995	−1,585	5,581
Italy	77 II	97	−392	−2,963	2,571
Canada	77 III	346	−446	3,239	−3,684

[1] Converted to US dollars at the current market rates of exchange.
[2] As recommended by the Advisory Committee on the Presentation of Balance of Payments Statistics, the Department of Commerce no longer publishes a basic balance.

EXCHANGE RATES
Spot Rate
As of 24 Feb 78

	US $ Per Unit	Percent Change from 19 Mar 73	1 Year Earlier	3 Months Earlier	17 Feb 78
Japan (yen)	0.0042	10.33	18.93	0.70	0.50
West Germany (Deutsche mark)	0.4950	39.81	18.54	9.74	2.03
France (franc)	0.2099	−4.76	4.70	1.70	1.12
United Kingdom (pound sterling)	1.9280	−21.66	13.11	6.08	−0.82
Italy (lira)	0.0012	−33.67	3.53	2.89	0.43
Canada (dollar)	0.8964	−10.15	−7.54	−0.66	0.32

TRADE-WEIGHTED EXCHANGE RATES [1]
As of 24 Feb 78

	Percent Change from 19 Mar 73	1 Year Earlier	3 Months Earlier	17 Feb 78
United States	1.22	−4.63	−2.57	−0.71
Japan	14.19	16.19	−0.95	0.17
West Germany	33.64	8.68	3.50	0.59
France	−14.21	−6.68	−5.53	−0.47
United Kingdom	−26.82	6.04	1.07	−2.03
Italy	−41.73	−6.53	−3.14	−1.01
Canada	−10.00	−9.84	−1.64	0.18

[1] Weighting is based on each listed country's trade with 16 other industrialized countries to reflect the competitive impact of exchange rate variations among the major currencies.

Developed Countries: Direction of Trade [1]

Million US $

	Exports to (f.o.b.)						Imports from (c.i.f.)					
	World	Big Seven	Other OECD	OPEC	Com-munist	Other	World	Big Seven	Other OECD	OPEC	Com-munist	Other
UNITED STATES												
1975	107.65	46.94	16.25	10.77	3.37	29.82	103.42	49.81	8.83	18.70	0.98	25.08
1976	115.01	51.30	17.68	12.57	3.64	29.44	129.57	60.39	9.75	27.17	1.16	31.09
1st Qtr	27.37	12.18	4.11	2.75	1.08	7.24	29.34	13.72	2.40	6.07	0.27	6.88
2d Qtr	29.69	13.38	4.51	3.11	1.01	7.51	31.65	15.36	2.41	6.07	0.28	7.54
3d Qtr	27.43	11.94	4.09	3.11	0.78	7.42	33.74	15.24	2.40	7.55	0.31	8.24
4th Qtr	30.52	13.79	4.97	3.60	0.76	7.26	34.84	16.07	2.55	7.48	0.30	8.44
1977												
1st Qtr	29.46	13.75	4.73	3.14	0.86	6.98	37.37	16.07	2.76	8.97	0.30	9.26
2d Qtr	31.66	14.39	4.81	3.69	0.71	7.97	40.45	18.14	2.77	9.31	0.35	9.87
3rd Qtr	28.75	12.23	4.39	3.58	0.47	7.98	39.50	17.73	2.78	8.92	0.32	9.74
JAPAN												
1975	55.73	16.56	6.07	8.42	5.16	15.87	57.85	16.93	6.08	19.40	3.36	12.05
1976	67.32	22.61	8.59	9.27	4.93	17.84	64.89	17.58	7.78	21.88	2.91	14.72
1st Qtr	14.44	4.89	1.83	1.87	1.28	3.76	14.84	4.09	1.70	5.22	0.67	3.16
2d Qtr	16.42	5.46	2.09	2.27	1.32	4.39	15.89	4.35	1.95	5.40	0.66	3.54
3d Qtr	17.54	5.95	2.27	2.47	1.09	4.52	16.81	4.51	2.14	5.41	0.74	4.01
4th Qtr	18.92	6.30	2.40	2.66	1.24	5.17	17.34	4.62	2.00	5.86	0.84	4.01
1977												
1st Qtr	17.89	5.89	2.45	2.46	1.36	4.70	17.44	4.72	1.84	6.24	0.79	3.84
2d Qtr	19.73	6.73	2.41	2.91	1.19	5.45	17.88	4.88	2.10	5.74	0.86	4.29
3d Qtr	20.63	7.40	2.47	3.05	1.33	5.62	17.63	4.68	1.84	5.88	0.84	4.38
WEST GERMANY												
1975	91.70	28.33	36.44	6.78	8.81	11.05	76.28	27.09	27.78	8.24	4.87	8.21
1976	103.63	33.44	41.86	8.25	8.72	11.04	89.68	31.28	32.64	9.73	5.93	10.01
1st Qtr	23.79	7.92	9.54	1.71	2.09	2.47	20.49	7.13	7.59	2.19	1.33	2.23
2d Qtr	24.96	8.21	10.12	1.84	2.08	2.64	21.94	7.70	8.13	2.22	1.43	2.42
3d Qtr	25.53	8.00	10.28	2.24	2.13	2.78	22.14	7.56	7.89	2.57	1.49	2.58
4th Qtr	29.35	9.31	11.92	2.46	2.42	3.15	25.12	8.88	9.03	2.73	1.67	2.78
1977												
1st Qtr	28.19	9.28	11.62	2.31	2.11	2.78	24.45	8.46	8.85	2.58	1.42	3.11
2d Qtr	29.20	9.59	11.79	2.69	2.07	2.98	25.21	9.09	9.04	2.43	1.54	3.08
3d Qtr	28.75	9.20	11.45	2.71	2.26	3.04	25.27	8.99	8.97	2.54	1.65	3.09
FRANCE												
1975	52.87	20.00	15.50	4.90	3.13	8.61	53.99	23.04	14.33	9.43	1.94	5.21
1976	57.05	22.49	16.15	5.08	3.23	8.75	64.38	27.81	16.93	11.36	2.24	6.01
1st Qtr	13.97	5.52	3.93	1.24	0.84	2.08	15.52	6.57	4.16	2.82	0.56	1.42
2d Qtr	15.02	5.91	4.41	1.22	0.98	2.23	16.19	7.15	4.33	2.61	0.55	1.53
3d Qtr	12.81	4.97	3.49	1.29	0.67	2.09	14.97	6.49	3.77	2.75	0.55	1.41
4th Qtr	15.26	6.08	4.33	1.33	0.75	2.35	17.70	7.60	4.68	3.19	0.58	1.65
1977												
1st Qtr	15.68	6.25	4.55	1.39	0.75	2.36	17.89	7.50	4.84	3.06	0.52	1.96
2d Qtr	16.69	6.60	4.79	1.57	0.83	2.47	17.96	7.84	4.71	2.65	0.61	2.13
3d Qtr	14.75	6.02	4.08	1.32	0.67	2.39	16.14	6.99	3.85	2.87	0.62	1.78
UNITED KINGDOM												
1975	44.03	12.55	16.59	4.55	1.56	8.64	53.35	18.47	18.52	6.91	1.68	7.67
1976	46.12	14.03	17.53	5.13	1.39	7.92	55.56	19.66	18.81	7.29	2.08	7.65
1st Qtr	11.60	3.41	4.37	1.24	0.38	2.17	13.50	4.69	4.64	1.82	0.49	1.83
2d Qtr	11.46	3.53	4.32	1.26	0.37	1.95	13.96	5.04	4.57	1.74	0.56	2.03
3d Qtr	11.03	3.43	4.11	1.26	0.32	1.87	13.69	4.75	4.54	1.89	0.51	1.98
4th Qtr	12.03	3.64	4.74	1.38	0.31	1.93	14.41	5.17	5.06	1.84	0.51	1.81
1977												
1st Qtr	13.13	4.01	5.16	1.52	0.35	2.04	15.45	5.80	5.12	1.78	0.49	2.22
2d Qtr	14.35	4.20	5.72	1.69	0.44	2.26	16.52	6.02	5.73	1.70	0.58	2.44
3d Qtr	14.59	4.47	5.55	1.75	0.46	2.32	15.20	6.05	4.74	1.44	0.66	2.29

Developed Countries: Direction of Trade [1]
(Continued)

Million US $

	Exports to (f.o.b.)						Imports from (c.i.f.)					
	World	Big Seven	Other OECD	OPEC	Com-munist	Other	World	Big Seven	Other OECD	OPEC	Com-munist	Other
ITALY												
1975	34.82	15.61	7.86	3.72	2.46	4.67	38.36	17.32	6.75	7.85	2.09	4.34
1976	36.96	17.41	8.69	4.23	2.18	3.96	43.42	19.35	8.04	8.12	2.65	5.24
1st Qtr	8.01	3.80	1.86	0.83	0.53	0.87	9.77	4.37	1.83	1.82	0.54	1.21
2d Qtr	8.85	4.22	2.09	0.97	0.52	0.95	10.83	4.85	1.94	2.10	0.63	1.31
3d Qtr	9.45	4.51	2.22	1.07	0.53	0.99	10.33	4.51	1.85	2.03	0.67	1.26
4th Qtr	10.65	4.88	2.53	1.36	0.59	1.14	12.49	5.62	2.42	2.17	0.81	1.46
1977												
1st Qtr	9.80	4.56	2.30	1.26	0.53	1.03	11.37	5.00	2.14	2.18	0.60	1.45
2d Qtr	11.47	5.33	2.61	1.51	0.60	1.28	12.49	5.51	2.24	2.50	0.64	1.59
3d Qtr	10.93	5.01	2.51	1.41	0.63	1.22	10.55	4.39	1.80	2.10	0.73	1.53
CANADA												
1975	33.84	26.30	1.73	0.71	1.20	2.00	38.59	29.78	1.70	3.43	0.32	2.02
1976	40.18	32.01	2.03	0.81	1.25	2.09	43.05	33.55	1.82	3.48	0.38	2.56
1st Qtr	9.18	7.39	0.43	0.47	0.33	0.42	10.40	8.05	0.42	0.95	0.09	0.59
2d Qtr	10.75	8.61	0.50	0.18	0.34	0.56	11.61	9.02	0.45	1.02	0.10	0.70
3d Qtr	9.94	7.74	0.56	0.20	0.35	0.53	10.12	7.75	0.47	0.80	0.10	0.69
4th Qtr	10.31	8.27	0.55	0.26	0.23	0.58	10.91	8.73	0.48	0.71	0.09	0.58
1977												
1st Qtr	10.35	8.37	0.53	0.23	0.22	0.47	10.92	8.64	0.43	0.82	0.09	0.62
2d Qtr	11.34	9.23	0.54	0.24	0.29	0.57	12.28	9.92	0.47	0.74	0.10	0.67
3d Qtr	10.21	8.12	0.54	0.23	0.29	0.62	10.37	8.17	0.43	0.82	0.07	0.65

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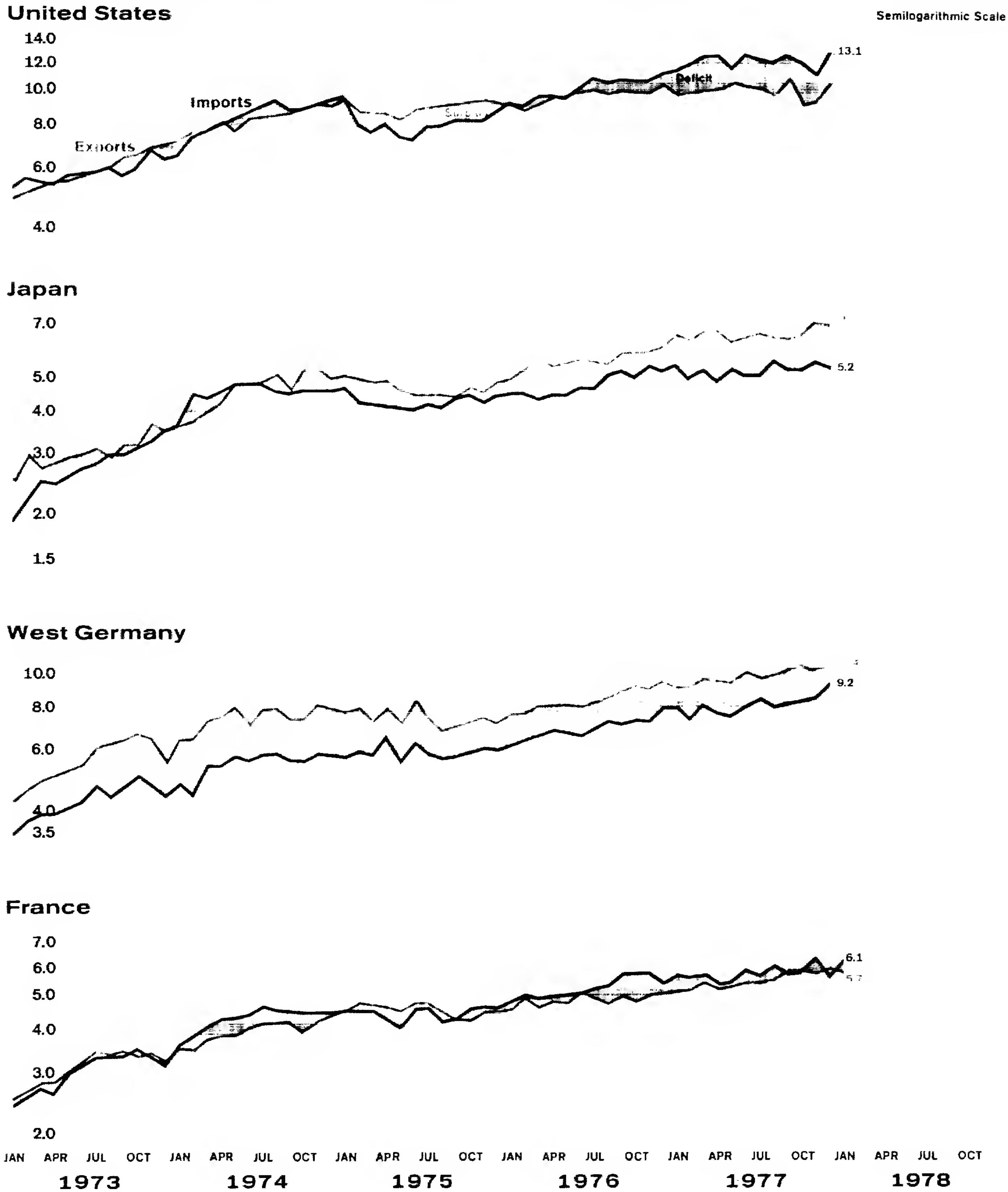
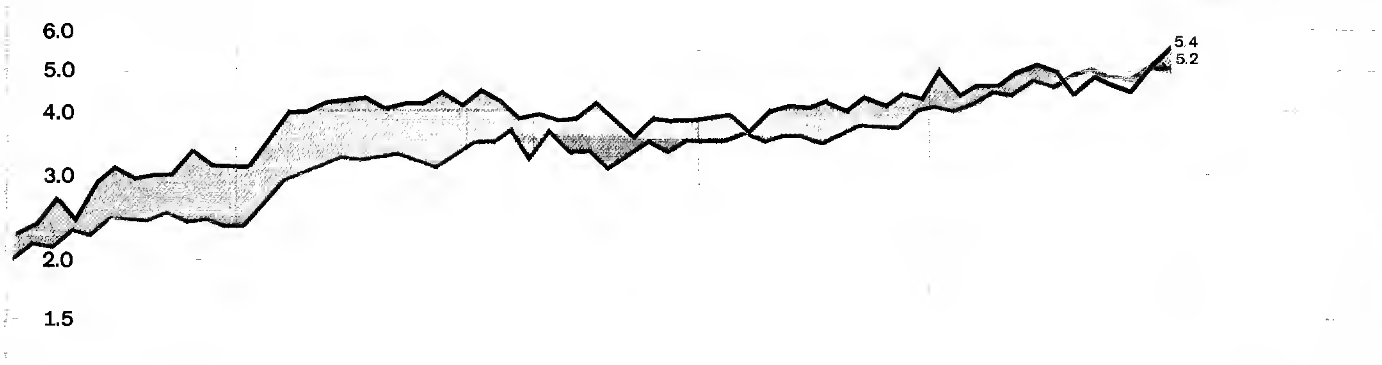
FOREIGN TRADE **BILLION US $, f.o.b., seasonally adjusted**



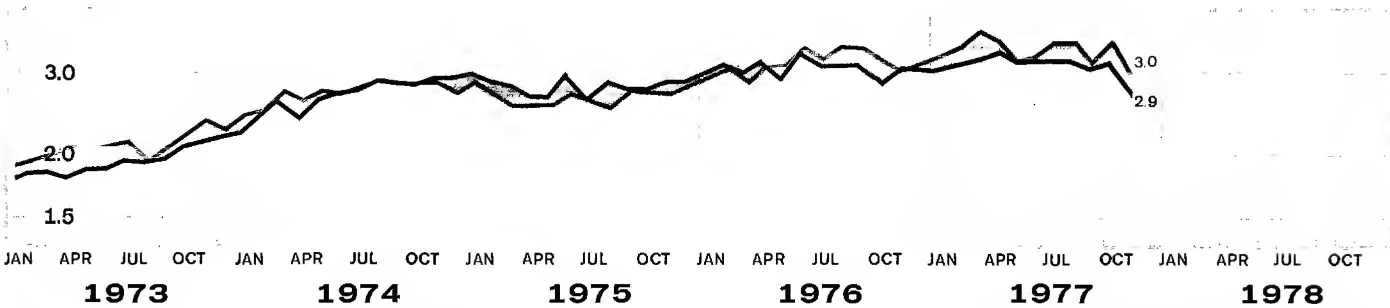
United Kingdom

Semilogarithmic Scale



Italy

Canada



	LATEST MONTH	MILLION US $	CUMULATIVE (MILLION US $) 1977	1976	CHANGE
United States	DEC 77	11,030	120,107	114,860	4.6%
		13,059	146,615	120,495	21.7%
	Balance	−2,030	−26,508	−5,635	−20,873
Japan	DEC 77	7,042	79,212	65,751	20.5%
		5,247	61,752	56,004	10.3%
	Balance	1,794	17,480	9,747	7,713
West Germany	DEC 77	10,402	117,787	101,923	15.2%
		9,215	96,533	83,574	15.6%
	Balance	1,187	21,254	18,349	2,467
France	JAN 78	5,690	65,087	56,967	14.1%
		6,083	67,389	61,068	10.3%
	Balance	−393	−2,302	−4,101	1,884

	LATEST MONTH	MILLION US $	CUMULATIVE (MILLION US $) 1977	1976	CHANGE
United Kingdom	JAN 78	5,088	56,304	46,003	25.3%
		5,715	59,204	52,466	15.1%
	Balance	−627	−2,900	−6,463	3,904
Italy	NOV 77	4,182	40,523	33,427	21.0%
		3,728	40,042	36,777	8.7%
	Balance	455	482	−3,349	3,834
Canada	NOV 77	3,008	37,820	35,202	7.5%
		2,905	36,120	34,726	4.1%
	Balance	103	1,700	475	1,223

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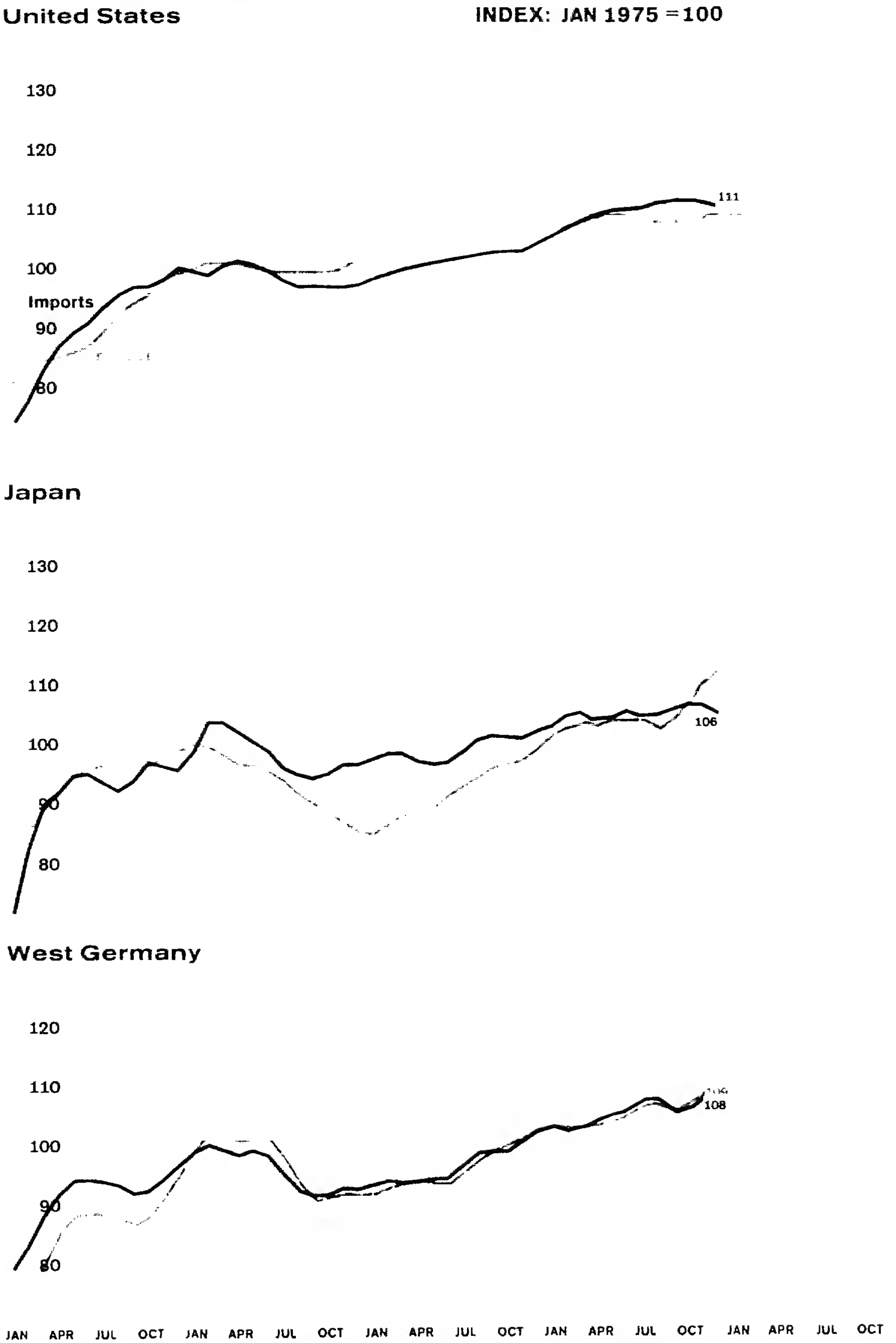
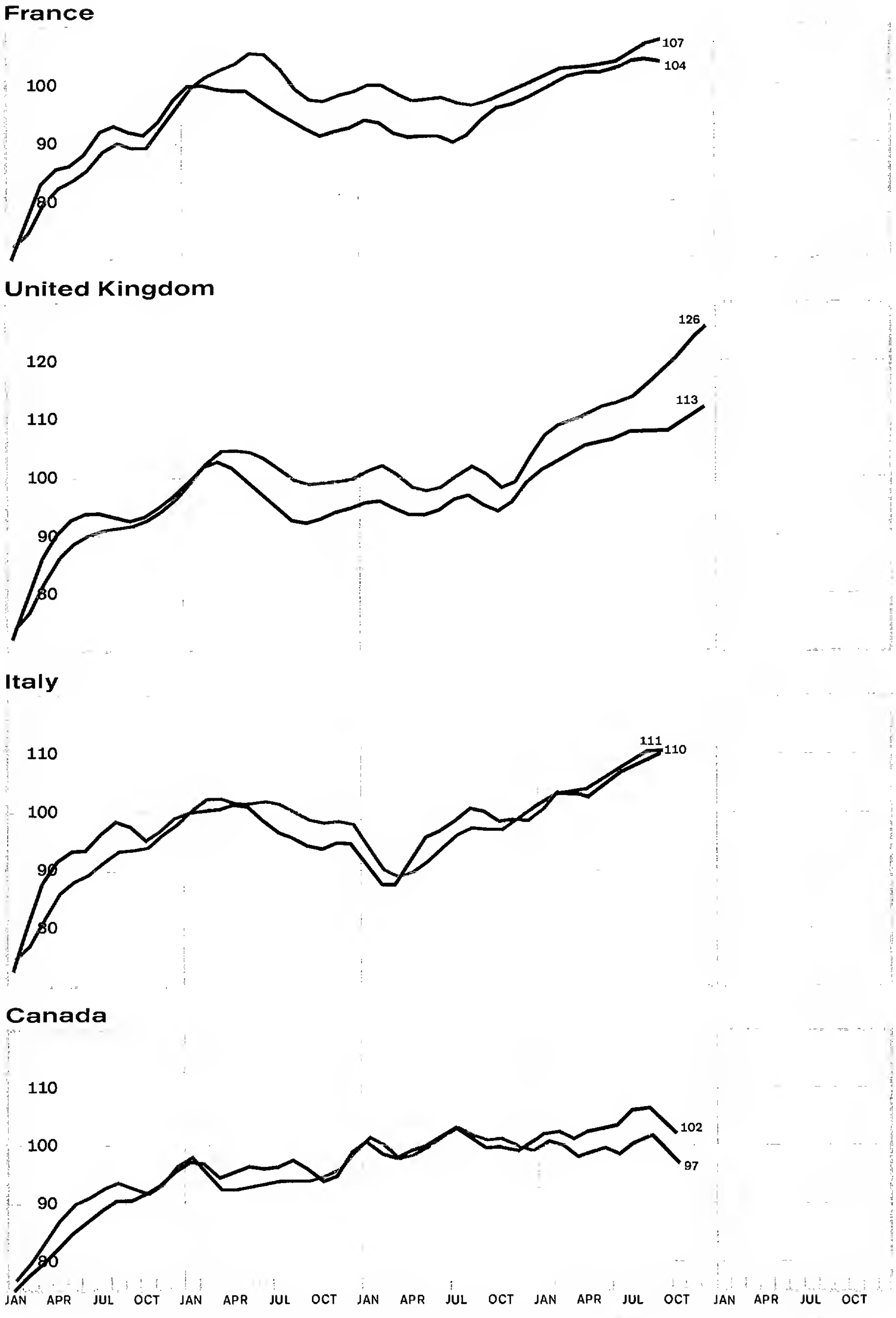
FOREIGN TRADE PRICES IN US $[1]



[1]Export and import plots are based on five month weighted moving averages.


France
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SELECTED DEVELOPING COUNTRIES

INDUSTRIAL PRODUCTION [1]

	Latest Period	Percent Change from Previous Period	Average Annual Growth Rate Since 1970	1 Year Earlier	3 Months Earlier [2]
India	Aug 77	4.0	4.9	8.2	−7.3
South Korea	Nov 77	0.3	21.9	13.9	9.2
Mexico	Sep 77	0.2	6.0	5.3	11.2
Nigeria	76 IV	0.2	11.3	9.0	0.7
Taiwan	Oct 77	0.5	14.9	13.5	23.1

[1] Seasonally adjusted.
[2] Average for latest 3 months compared with average for previous 3 months.

MONEY SUPPLY [1]

	Latest Month	Percent Change from Previous Month	Average Annual Growth Rate Since 1970	1 Year Earlier	3 Months Earlier [2]
Brazil	Aug 77	0	36.7	46.2	59.1
India	Aug 77	2.9	13.4	15.6	7.8
Iran	Sep 77	3.3	28.5	21.2	−1.4
South Korea	Oct 77	5.9	32.5	47.9	43.1
Mexico	Oct 77	4.9	19.5	26.6	21.9
Nigerio	Apr 77	−2.3	36.9	47.5	99.7
Taiwan	Oct 77	3.2	24.8	29.1	30.6
Thailand	Jun 77	−0.9	13.2	13.0	14.9

[1] Seasonally adjusted.
[2] Average for latest 3 months compared with average for previous 3 months.

CONSUMER PRICES

	Latest Month	Percent Change from Previous Month	Average Annual Growth Rate Since 1970	1 Year Earlier
Brazil	Dec 77	2.3	27.4	43.1
India	Oct 77	−0.3	8.3	8.6
Iran	Nov 77	0.7	12.2	23.9
South Korea	Nov 77	0.4	14.2	10.6
Mexico	Nov 77	1.1	14.9	22.0
Nigera	Jun 77	4.0	16.2	23.7
Taiwan	Oct 77	−1.1	10.6	9.9
Thailand	Oct 77	0.5	8.7	9.0

WHOLESALE PRICES

	Latest Month	Percent Change from Previous Month	Average Annual Growth Rate Since 1970	1 Year Earlier
Brazil	Oct 77	2.3	27.2	34.4
India	Dec 77	0.3	8.6	3.9
Iran	Nov 77	1.9	10.3	12.3
South Korea	Nov 77	0.4	16.0	8.8
Mexico	Nov 77	0	16.1	23.1
Taiwan	Oct 77	−0.2	8.7	3.8
Thailand	Oct 77	−1.2	9.7	5.5

EXPORT PRICES

US $

	Latest Period	Percent Change from Previous Period	Average Annual Growth Rate Since 1970	1 Year Earlier
Brazil	Sep 77	−8.2	13.3	4.7
India	Mar 77	−0.9	9.6	17.9
Iran	Oct 77	0	34.1	10.3
South Korea	77 III	0.9	8.6	6.5
Nigeria	May 76	−0.1	27.3	12.3
Taiwan	Sep 77	2.6	12.1	8.2
Thailand	Dec 76	2.0	13.3	13.1

OFFICIAL RESERVES

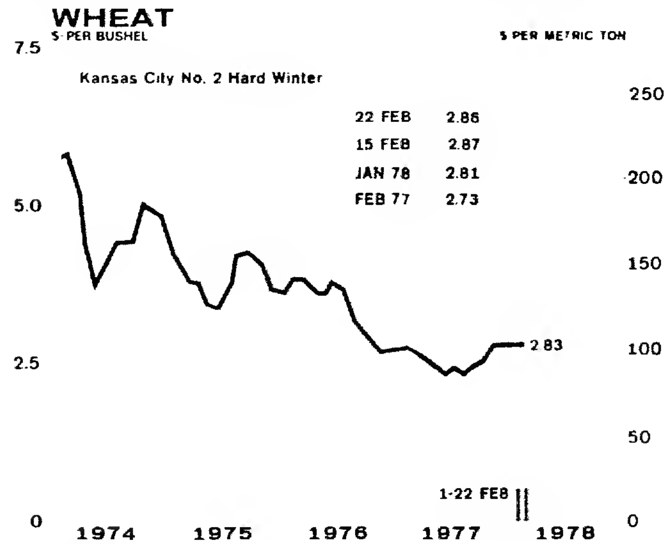
	Latest Month: End of	Latest Month: Million US $	Million US $: Jun 1970	1 Year Earlier	3 Months Earlier
Brazil	Aug 77	6,195	1,013	4,405	5,806
India	Oct 77	4,886	1,006	2,788	4,395
Iran	Nov 77	11,511	208	9,124	11,561
South Korea	Oct 77	4,246	602	2,586	3,656
Mexico	Mar 76	1,501	695	1,479	1,533
Nigeria	Oct 77	4,551	148	5,635	4,495
Taiwan	Nov 77	1,469	531	1,676	1,416
Thailand	Nov 77	1,864	978	1,893	1,992

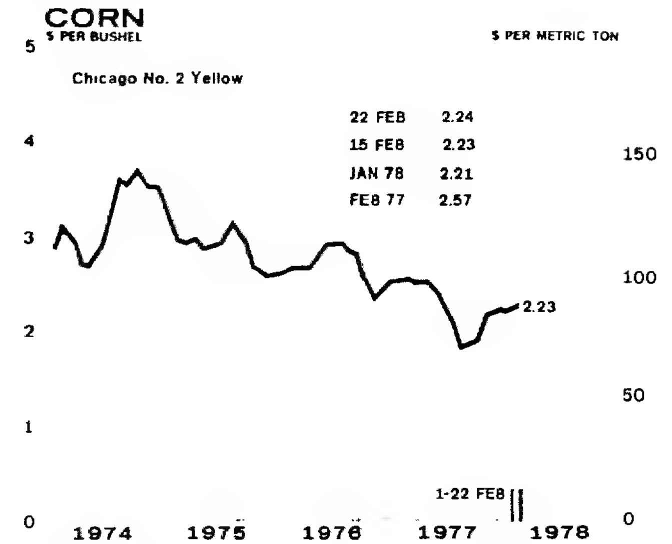
FOREIGN TRADE, f.o.b.

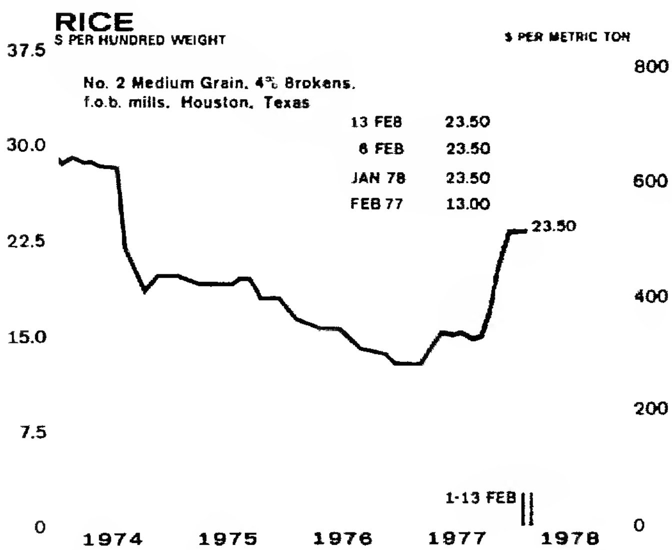
	Latest Period		Latest 3 Months Percent Change from: 3 Months Earlier[1]	1 Year Earlier	Cumulative (Million US $): 1977	1976	Change
Brazil	Nov 77	Exports	−51.6	−0.2	11,083	9,043	22.6%
	Nov 77	Imports	−6.5	−5.1	11,012	11,305	−2.6%
	Nov 77	Balance			71	−2,262	2,333
India	Aug 77	Exports	−64.0	5.0	3,949	3,355	17.7%
	Aug 77	Imports	28.4	7.3	3,258	2,946	10.6%
	Aug 77	Balance			691	410	281
Iran	Oct 77	Exports	57.9	2.6	19,764	18,820	5.0%
	Sep 77	Imports	2.8	20.3	9,479	8,770	8.1%
	Sep 77	Balance			8,209	7,971	238
South Korea	Oct 77	Exports	−6.2	20.2	7,831	6,217	26.0%
	Oct 77	Imports	−9.9	22.0	7,897	6,461	22.2%
	Oct 77	Balance			−66	−244	178
Mexico	Oct 77	Exports	−29.0	34.3	3,367	2,573	30.9%
	Oct 77	Imports	70.1	8.3	4,189	4,838	−13.4%
	Oct 77	Balance			−822	−2,266	1,443
Nigeria	Sep 77	Exports	−18.9	14.6	3,638	2,940	23.7%
	Dec 76	Imports	86.7	8.4	2,531	1,990	27.2%
	Dec 76	Balance			1,502	1,102	399
Taiwan	Oct 77	Exports	−18.9	12.8	7,440	6,572	13.2%
	Oct 77	Imports	−31.0	9.8	6,353	5,667	12.1%
	Oct 77	Balance			1,087	904	183
Thailand	Aug 77	Exports	−17.5	26.8	2,395	1,911	25.3%
	Sep 77	Imports	32.3	36.6	3,077	2,384	29.1%
	Aug 77	Balance			−322	−190	−132

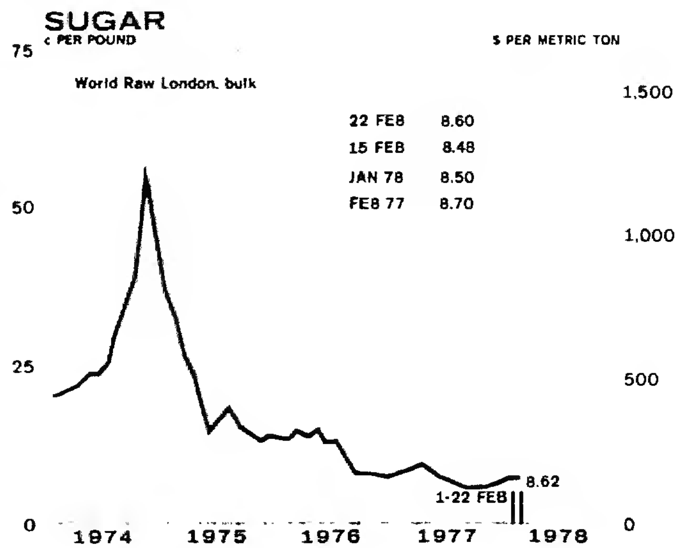
[1] At annual rates.

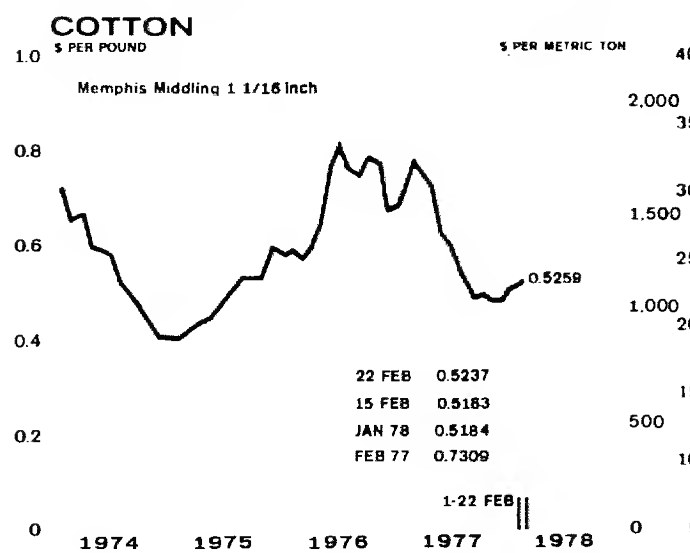
AGRICULTURAL PRICES MONTHLY AVERAGE CASH PRICE

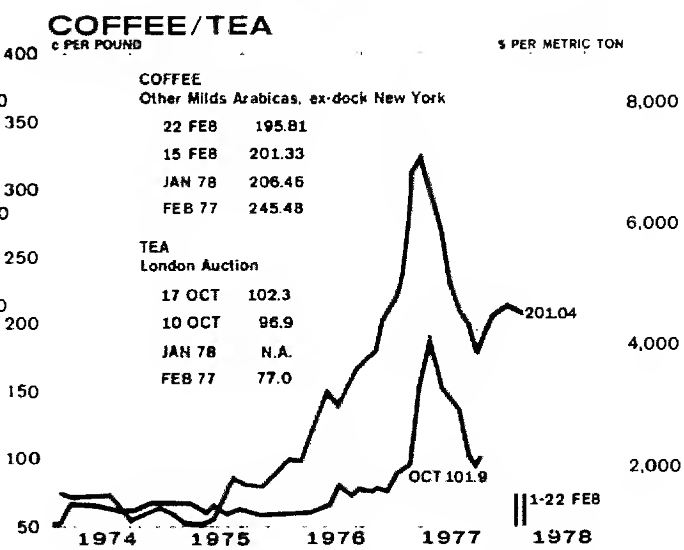


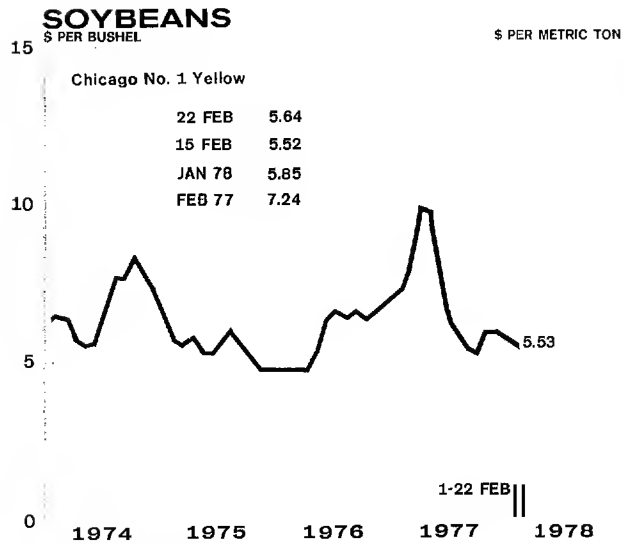


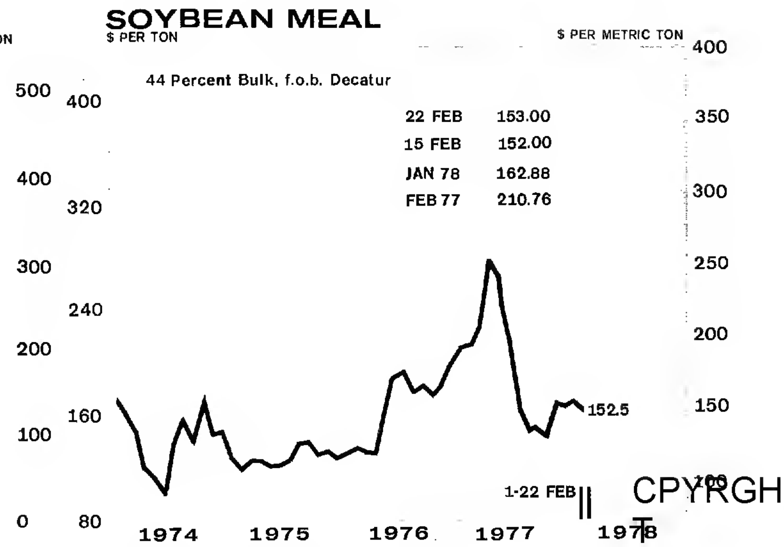


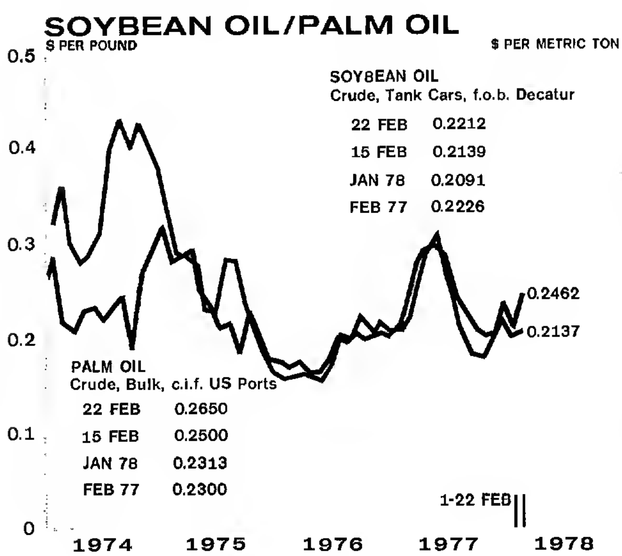


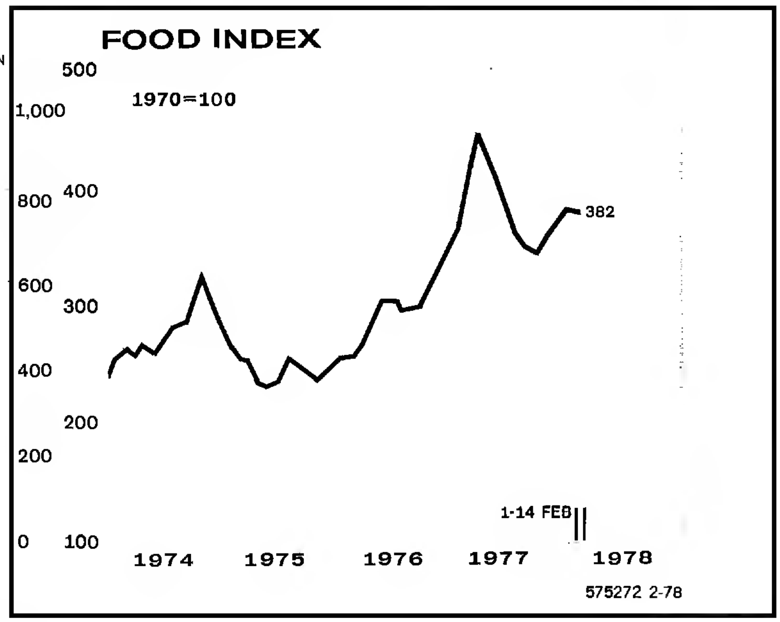








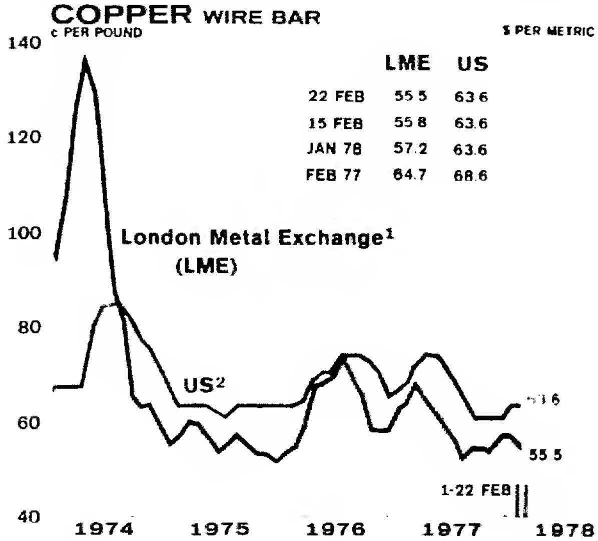




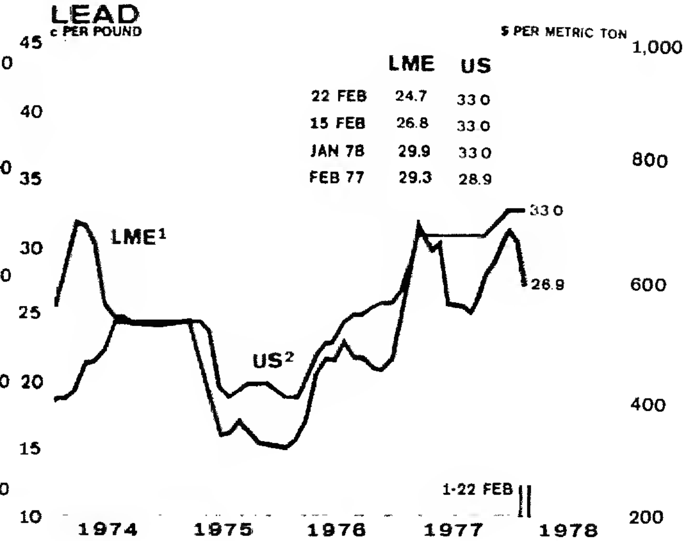
NOTE: The food index is compiled by the Economist for 16 food commodities which enter international trade. Commodities are weighted by 3-year moving averages of imports into industrialized countries.

INDUSTRIAL MATERIALS PRICES MONTHLY AVERAGE CASH PRICE

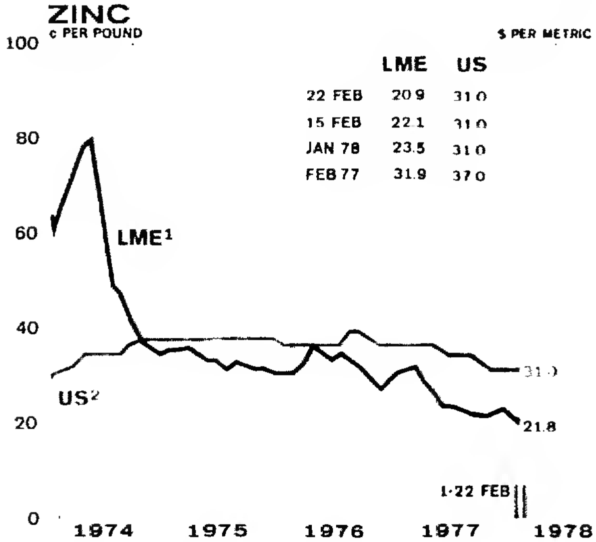
COPPER WIRE BAR



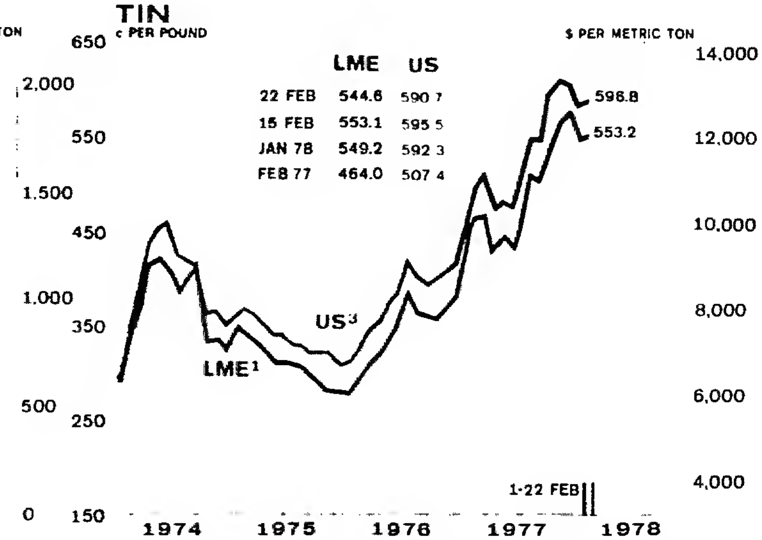
LEAD



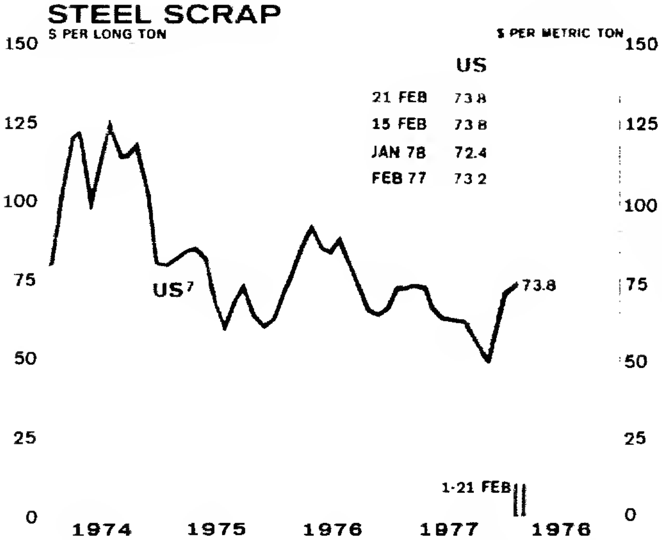
ZINC



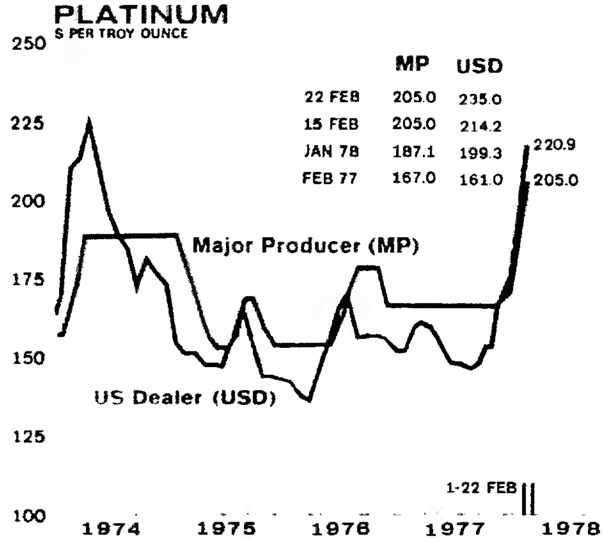
TIN



STEEL SCRAP



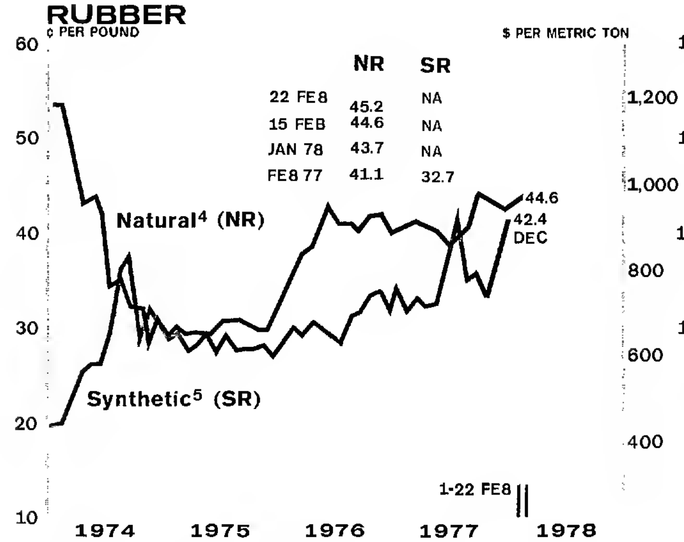
PLATINUM



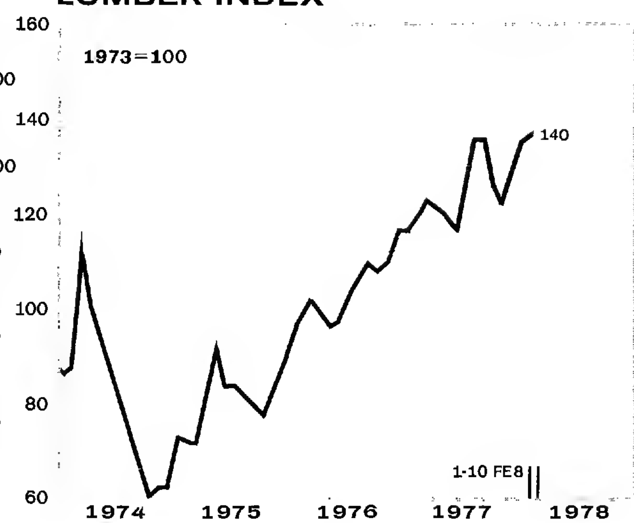
SELECTED MATERIALS

			CURRENT	AUG 77	FEB 77	FEB 76
ALUMINUM	Major US Producer	¢ per pound	53.00	53.00	48.00	41.00
US STEEL	Composite	$ per long ton	387.54	357.08	339.27	306.72
IRON ORE	Non-Bessemer Old Range	$ per long ton	21.43	21.43	20.97	19.12
CHROME ORE	Russian, Metallurgical Grade	$ per metric ton	N.A.	150.00	150.00	150.00
CHROME ORE	S. Africa, Chemical Grade	$ per long ton	56.00	58.50	42.00	39.00
FERROCHROME	US Producer, 66-70 Percent	¢ per pound	41.00	42.39	43.00	45.00
NICKEL	Composite US Producer	$ per pound	2.07	2.41	2.41	2.20
MANGANESE ORE	48 Percent Mn	$ per long ton	72.24	72.00	72.00	67.20
TUNGSTEN ORE	Contained Metal	$ per metric ton	18,537.00	21,111.00	21,419.00	11,509.00
MERCURY	New York	$ per 76 pound flask	160.00	116.30	167.55	127.21
SILVER	LME Cash	¢ per troy ounce	497.32	447.09	453.72	408.78
GOLD	London Afternoon Fixing Price	$ per troy ounce	178.36	144.95	136.31	131.07

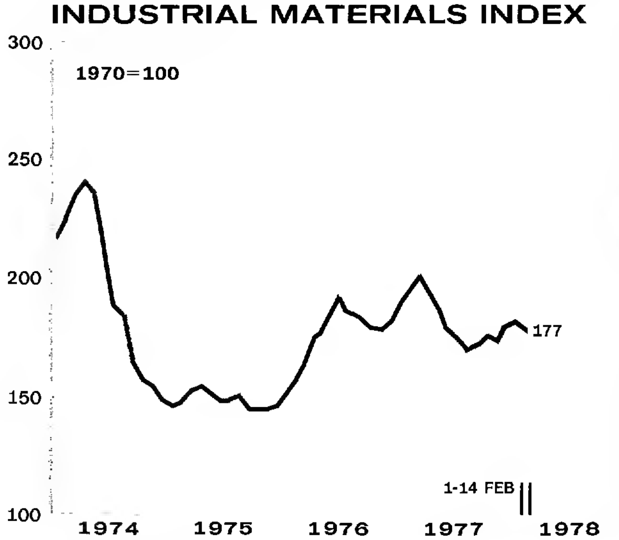
RUBBER



LUMBER INDEX[6]



INDUSTRIAL MATERIALS INDEX



[1] Approximates world market price frequently used by major world producers and traders, although only small quantities of these metals are actually traded on the LME.

[2] Producers' price, covers most primary metals sold in the US.

[3] As of 1 Dec 75, US tin price quoted is "Tin NY lb composite."

[4] Quoted on New York market.

[5] S-type styrene, US export price.

[6] This index is compiled by using the average of 13 types of lumber whose prices are regarded as bellwethers of US lumber construction costs.

[7] Composite price for Chicago, Philadelphia, and Pittsburgh.

NOTE: The industrial materials index is compiled by the Economist for 19 raw materials which enter international trade. Commodities are weighted by 3-year moving averages of imports into industrialized countries.

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